# Unemployment Insurance Review

March 1964

*Managing UI Programs and Operations*

Role of State Directors
Claims Operations in Metropolitan Areas
Evaluating Performance in Claims Operations

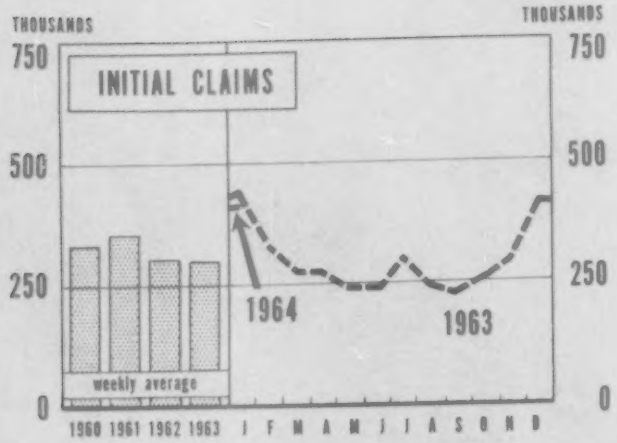
Also . . .

Virgin Islands Begins Benefit Payments

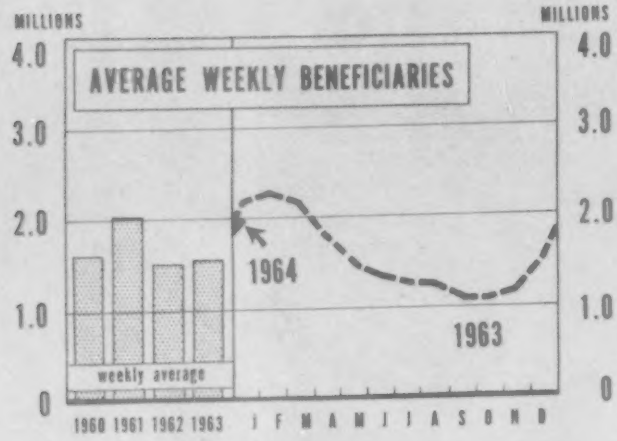
UNITED STATES DEPARTMENT OF LABOR MANPOWER ADMINISTRATION

# UNEMPLOYMENT INSURANCE ACTIVITIES

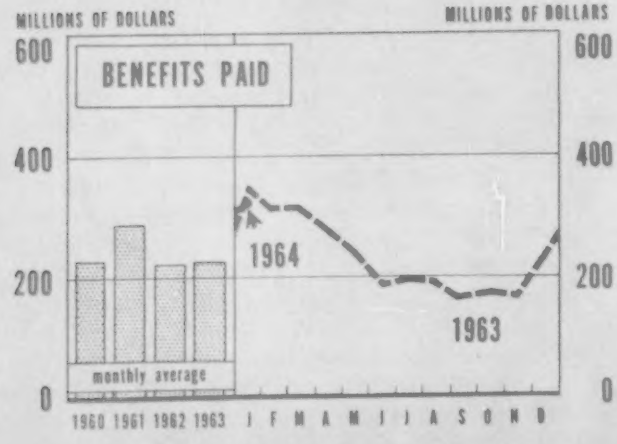
## UNDER STATE PROGRAMS




Initial claims, which usually increase between December and January, declined by about 16,700, or 1 percent, to 1,847,900. The decrease was due largely to fewer layoffs in outside work and in apparel plants. The level this January was 12 percent below that of a year ago.




The average weekly number of beneficiaries in January, at 1,996,900, was up 31 percent from December. Compared with a year earlier, the volume this January was 8 percent less.




During January, benefits paid under State programs totaled $319.3 million. This was $86.3 million above the December figure but $23,000 below the January 1963 amount.

# Unemployment Insurance Review

March 1964
Vol. 1 No. 3

U.S. DEPARTMENT OF LABOR
W. Willard Wirtz, Secretary

MANPOWER ADMINISTRATION
John C. Donovan, Administrator

BUREAU OF EMPLOYMENT SECURITY
Robert C. Goodwin, Administrator

UNEMPLOYMENT INSURANCE SERVICE
William U. Norwood, Jr., Director

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# The UIS Director Comments

THIS issue of the *Unemployment Insurance Review* focuses on organization and management of the unemployment insurance program. Organizing to do the job has had to be a special concern of the program because of its special character that differs so much from the usual patterns of government. It involves unique intergovernmental relationships, both interstate and Federal-State. Unlike most fund-disbursing agencies, the employment security agency has responsibility not only to pay unemployment benefits but also to assess and collect the taxes that are the source of those benefits. Because of the nature of our economy, the unemployment insurance program must cope with widely fluctuating workloads. Because unemployment insurance goes to the very core of industrial relations, it is inevitably and almost incessantly a subject of controversy and legislative amendment. Its ready availability as a benefit disbursing mechanism has made it the obvious payment channel for new and additional income maintenance programs.

All these factors operate to create an ever growing pressure for strengthening unemployment insurance administration. Operation of the program today is a vastly more technical function than when it started. The interrelationships between the different State and Federal benefit provisions present complex problems to the local offices in the States, and call increasingly for higher administrative and technical skills on the part of staff and the official who is State director of the program.

Because of basic similarities in the State UI laws, the functional operation of the program follows similar patterns in all jurisdictions included in the Federal-State system. Each jurisdiction must determine liability of its employers for taxes and collect them, take claims, pay benefits, and determine each employer's tax rate according to his experience rating. However, the administrative organizations of State employment security agencies vary considerably. They include independent boards or commissions, independent departments of State governments reporting directly to the governor, or agencies located in State departments of labor.

The Bureau of Employment Security works with the States to improve and simplify management of the program, to assist in adapting operations to rapidly changing conditions, and to test new ideas in operating and managerial techniques. The Bureau has encouraged a new organizational pattern involving the physical separation of unemployment insurance functions from those of the employment service, with separate supervisory staff in the larger local offices and metropolitan areas of the States.

This separation facilitates a direct line of undivided authority from the State agency's top unemployment official down through each supervisory level to the claims taker in the local office. It aims to provide this official with the assurance of direct involvement in discussions of the State agency's operating budget, of specific staff assistance for identifiable unemployment insurance research projects, and of participation in establishing training programs tied to the UI program. It aims also to strengthen the UI official's relationships with the agency's public relations office to assure a full and proper publication of the program's story to the community, to have a firm and close collaboration with the legal counselor for interpretive and adjudicatory functions under the law, and to improve relationships with State advisory councils and legislative bodies.

In sum, functional separation and supervision permits the installation of managament techniques to establish a firm and clear responsibility for the total performance and quality evaluation of the UI program in each State, a possibility which has not been operationally feasible under joint claims and placement operations. A number of States have undertaken this effort recently; others did so several years ago. As more experience is gained the development can be evaluated upon its effectiveness. In this issue of the *Review*, a look is taken at State administrative structures, and at supervisory methods and their effect upon performance.

# Managing UI Programs and Operations

*The role of State directors of unemployment insurance programs, and methods of evaluating and improving operations, are discussed in the following five articles.*

Role of

## The Arizona Director

*Bruce Parkinson**

THE EMPLOYMENT Security Law of Arizona provides for a commission composed of three members, appointed by the Governor, to establish and supervise the conduct of the two coordinate divisions: the Arizona State Employment Service Division and the Unemployment Insurance Division. Each division is headed by an administrator-director who is responsible for the discharge of its distinctive functions. The Unemployment Insurance Division is a separate administrative unit with respect to personnel, budget, and duties.

### Director's Function

The Unemployment Insurance Administrator-Director (short title "Director") is designated the Chief Administrative Officer of his division. He is personally charged with directing unemployment insurance operations, including all insurance programs delegated tc the commission by State or Federal statute. Unemployment insurance personnel at all operational levels are his responsibility and are under his exclusive control.

The Unemployment Insurance Director acts as secretary to the commission and as such is the commission's liaison with the U.S. Department of Labor, through the Bureau of Employment Security. He is charged specifically with the operation of his division's fiscal section. He is a member of the Interstate Conference of Employment Security Agencies.

*Administrator-Director, Unemployment Compensation Division, Arizona Employment Security Commission.

He enters into agreements to provide all facilities and services for his division, and to open and close offices in areas in which space is not provided by the Employment Service Division. He is custodian of the commission's administrative offices and all equipment assigned to the Unemployment Insurance Division. The growth of the agency reflects the State's dynamic economy and rapidly increasing population, which have necessitated additional programs and services.

### Director's Responsibility to State Commission

Since the director reports to the commission, he has a strong responsibility to these members, who are not full-time State officials, to delineate those areas in which they may take effective action. He provides them with sufficient information to formulate policy. In matters reserved specifically to the commissioners by law, he advises them of the effect proposed action might have on operations. He provides the commission's judicial arm—the appeal tribunal—with physical facilities, and, for organizational purposes, the chief adjudication officer and his staff are employees of the Unemployment Insurance Division.

### Line and Staff Direction

The director is responsible for determining the goals and policies of the unemployment insurance program. He must see that these goals are reached and that these policies are followed strictly. Obviously, the director must accomplish his assigned duties and responsibilities through the efforts of other people.

Three persons report directly to him, the deputy-director, the internal audit officer, and the public information officer. Other section heads, both line and staff, report through the deputy-director. This does not mean that the director operates with a "closed door" policy. To the contrary, he affords time and opportunity for personal contact with

any and all individuals who have legitimate problems for his personal attention.

The deputy-director reports to the director for obvious reasons. But why the public information officer and the internal audit officer? Policy formulation, community relations, and dissemination of all information relative to good administrative practice must remain under the personal control of the director. The internal audit officer plays a most important part in the director's exercise of internal controls. The fact that all section heads, with the exceptions noted above, report through the deputy-director, does not mean that all problems are resolved at that level or below. It does mean that problem areas are identified and accorded possible solutions before they are brought to the director's attention.

The director of the Arizona Unemployment Insurance Division relies heavily on weekly executive committee meetings of selected staff members to keep him abreast of complex activities. Common problems are discussed, and persons qualified in particular areas give their opinions. This conference is primarily informational, and is not intended to substitute for executive action. This committee analyzes, formulates, and recommends, and it affords the director additional "grassroots" contact with operations. It specifically gives him the benefit of technical knowledge, enabling him to make sound administrative decisions.

Duties and authority may be delegated—but never responsibility. There are certain areas of operations that therefore can never be fully delegated, but require the director's constant personal attention. The first is that of community relations, because without public support and acceptance a public program cannot be successful. This is why the public information officer reports directly to the director. He makes recommendations and supplies the professional know-how. It is the director's responsibility, however, to set the guides and framework within which community relations are to be maintained and strengthened.

Another major area is monetary control applying to fiscal operations, contributions, and payment of benefits. The director personifies the Employment Security Commission and must assure that public trust is not violated; therefore, the internal audit officer reports directly to him.

While the chief of contributions reports to the deputy-director, some tax functions, by virtue of law or sound administrative practice, come under the scrutiny of the director. These include administrative hearings necessary to obtain facts for fair and impartial application of the law. The director is concerned with the fairness of collections and administrative costs. He continuously reviews and studies the solvency of the reserve fund and the computations necessary for establishing tax rates. Peronally important to the director are employer relations, as part of community relations.

Staff sections (Fiscal, Research and Reports, Procedures, Data Processing), reporting through the deputy, are the technical arms of the director. Most of these units are small and require highly technical skills and procedures. Problems arising within these sections can most often be resolved by the deputy-director. The director, however, keeps closely apprised of all significant problem areas through executive committee meetings.

## Personnel Management and Training

Two major operational areas that cannot be fully delegated are personnel management and training. Without qualified employees, well trained and thoroughly oriented in the objectives of our program, no director can be effective. Because of ever-changing procedures and the increased complexities of our program, training is never ending. Orientation, new program training, retraining—all must be continuous. Training is accomplished in the Arizona agency by the coordinate efforts of the training officer and line supervisors.

When it becomes apparent that both new and experienced local office adjustment deputies need training in uniform application of policy, a statewide training program is conducted. The training team at present is composed of the training officer, field supervisors, representatives of the appeal section, and a technical adviser. Their joint participation produces not only a technical result but provides training which is popular and eagerly pursued by the trainees. A problem becomes not just a "local office" problem; it is everybody's problem. "Everybody" solves it together.

## Local Office Supervision and Control

The director is responsible for the prompt payment of benefits to all persons meeting eligibility requirements. Conversely, those who do not qualify must be denied benefits. Local office super-

vision has remained through the years one of the major problem areas in the administration of the employment security program. Maximum training effort orients every local office employee in the goals of our program. Efficient service to the public, courteously given, is a "*must*."

To insure that local office operations are adequately controlled, field supervisors, reporting through the chief of benefits, make an annual minimum of two complete surveys of each local office, and a copy of the survey findings is sent to the director so he may be fully informed of any problem areas. In addition, the Internal Audit Section conducts periodic audits of local office activity, as well as that of other sections of the agency.

### Coordination of ES and UI Divisions

As previously noted, the two divisions of the Arizona Employment Security Commission do not have an overall organizational head. This is specifically forbidden by law. The commission provides the necessary coordinating authority, with the two administrator-directors actually working out the mechanics of coordination between their two respective divisions. Each director appreciates the objectives of both divisions and shares responsibility fairly and practicably. Each director has a clear definition of the responsibilities of his division, and there is mutual agreement between personnel at all levels as to which functions are joint or separate.

A standing committee representing both divisions meets at least once every 3 months to resolve and clarify any "gray areas." This mutual understanding is vitally important in the division of responsibility for premises of local and administrative offices, and in the gathering and releasing of labor market information—including meeting the statistical reporting requirements of the Bureau of Employment Security.

The separate operation of the two divisions has not presented a budgetary problem. The directors request and justify separate grants for their respective operations. It has been the experience of the Arizona agency that the division of operations provides more efficient service to the public. The Employment Service is relieved of the task of administering an unemployment insurance law which is completely divorced from its responsibilities. By the same token, the Unemployment Insurance Division is not hampered in its proper administration of the unemployment insurance law by engaging in the operation of the Employment Service.

The degree of specialization needed by the two divisions promises to become greater, with technological progress and the growing diversity and complexity of programs.

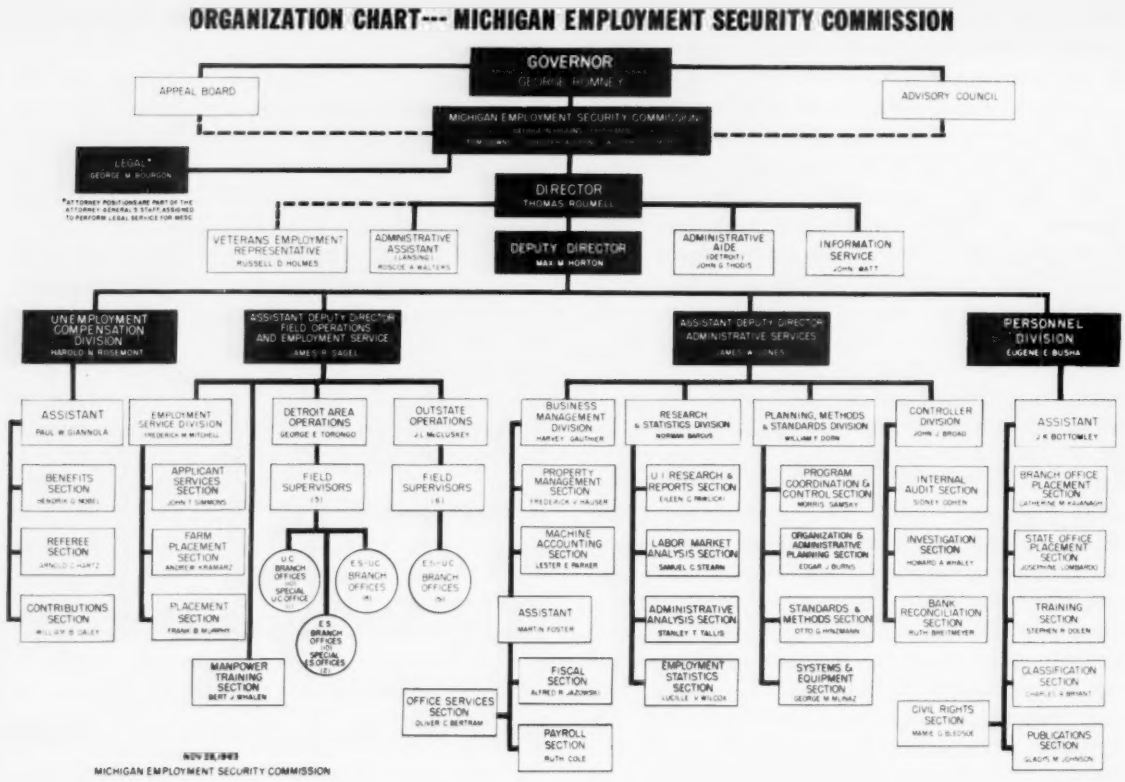
The role of the unemployment insurance director, basically has not actually changed since the program began. Only the methods by which he can fulfill his role have changed—due to the increased complexities and responsibilities of the position. The true role of the director is that of the general manager, and management is the accomplishment of results through the efforts of other people. This fact will never change, regardless of how complex our program may become.

## Role of
# The Michigan Director

*Harold N. Rosemont**

IN THE early years of the employment security program in Michigan, the claims taking, processing, and payment functions were performed at various times by the Unemployment Insurance Division and the Employment Service Division. However, with creation of the Operations Division in 1948, an organizational pattern was established which assigned the administrative and direct line supervision of local office claims and employment service functions to the Operations Division and the functional control over the entire claims process to the Unemployment Insurance Division. Obviously, a management structure which provides for joint responsibility over the same local offices must have the responsibilities of the respective division heads and the functions of the two divisions carefully delineated to avoid the problems inherent in this situation. It is in this organizational context that the UI director's responsibilities for the functional operations of local offices have evolved. In this same evolutionary development, the UI director's staff functions at the central office level have been designed to provide the maximum liaison between divisions in

*Unemployment Insurance Director, Michigan Employment Security Commission.




areas involving mutual responsibilities. The divisional relationship is best explained after a brief outline of the organization of the Michigan agency.

## Agency Reorganization

A recent commission reorganization resulted in four major divisions (see organization chart). A new *Administrative Services Division* is responsible for business management (including electronic data processing); research and statistics; planning, methods, and standards; internal audit; and investigation for the entire agency. The *Personnel Division* was retained as such with responsibility, within the framework of the Michigan civil service law, for the placement, training, and classification of all agency employees; responsibility for civil rights was also placed in this division. The Operations Division, which had the administrative responsibilities for the operation of all local offices in the State, was combined with the Employment Service Division to form the new *Field Operations and Employment Service Division.* The *Unemployment Insurance Division* was retained with no change in its responsibility for the tax function, the referee operation, and the functional supervision over all benefit programs in the local offices, plus administrative and functional supervision over various central office functions related to claim programs, as well as other assigned staff functions.

## UI Division Organization

The responsibilities of the UI director are in the three sectional areas that comprise the UI Division. The *Referee Section* hears and decides benefit and employer liability appeals at the lower appeals level. The *Contributions Section* is assigned the function of determining employer liability, registering employers, and collecting unemployment taxes. It is through the *Benefits Section* that the UI director exercises functional control over the local office claims program and through which he discharges his responsibility for local office operations. The specific responsibilities of the UI director in this area can be best

illustrated by a discussion of the various functions delegated to the Benefits Section.

Some of the functions assigned to the Benefits Section of the UI Division involve administrative as well as functional control. These are the functions relating to benefit programs, which can be handled more efficiently from a centralized unit in the State office. Although the payment of regular UI benefits has been completely decentralized and Michigan is a request-reporting State, the interstate benefit program, combined wage claims program, and payments made under ARA and MDTA are administered by central office units operating under the Benefits Section.

Other Benefits Section units maintain central control files which prevent duplicate claim filing and payment of benefits during periods of disqualification; these units also advise the local offices concerning the liability of employers in connection with claims filed. The central Restitution Control Unit maintains records of all restitution accounts in the local offices and periodically reconciles collections and account balances.

Another important operating unit in the Benefits Section is the Multi-Claimant Unit. This unit investigates and issues master determinations in all multiclaimant contests involving labor disputes, vacation pay, holiday pay, and claims involving the same factual situation which are filed in different local offices.

## Responsibilities for Local Office Functions

The functional control vested in the UI director over the entire local office claims process is exercised on a continuing basis with particular emphasis when a new program is established. New programs, although not necessarily confined to legislative change or State-Federal agreement, are usually the result of such developments. With respect to the planning and execution of new programs, the UI director has the responsibility for preparation and issuance of all precedent material as well as all interpretations and contested claims procedures, whereas the operations director is responsible for the preparation of the basic procedures and instructions, predicated on the precedent material and interpretations issued by the UI Division. Thus, all questions of a legal or technical nature not already covered in procedures or interpretations are referred to the UI Division by the Field Operations and Employment Service Division.

Under the existing commission clearance program, all procedures and interpretive material must be cleared with all affected divisions regardless of who originally initiated the material. The initiating party is responsible for the integration and coordination of all comments made during the clearance process.

The functional responsibility for the claims function in the local offices is accomplished with the aid of the Evaluation Unit of the Benefits Section of the UI Division. This unit conducts periodic reviews of the local offices to determine whether there are any deviations or deficiencies in the administration of the claims program. A field supervisor from the Field Operations and Employment Service Division is present during this evaluation process and is expected to take prompt corrective action to implement the recommendations made by the evaluation team. If the field supervisor were not to enforce the UI recommendations, it would be necessary and proper to go through administrative channels to obtain enforcement. To date, this action has never been necessary. The Evaluation Unit also frequently conducts training of local office personnel as to the procedural and substantive aspects of the claims process.

## Central Office Staff Functions

The UI director has the primary responsibility for several staff functions at the central office level. These functions are carried out by the UI director as chairman of various committees composed of staff members of the UI Division and representatives of other divisions.

*Legislation and Regulations.*—The UI director has technical and liaison responsibility for the analysis and interpretation of all proposed legislation, both State and Federal. This function is performed with the aid of the *Staff Legislative Committee* under the chairmanship of the UI director, with the heads of the other divisions and appropriate UI staff personnel as members. Thus, when legislation involves a subject which is within the province of another division—such as financial, including budgetary and funding, or the employment service—the affected division furnishes the UI director with the information which will enable him to fulfill his responsibility.

As a part of the staff legislative function, the UI director, with the assistance of the Staff Legislative Committee, prepares legislative proposals

each year for submission to the commission and to the Advisory Council for approval. Those proposals that are approved by the commission are submitted to the Governor of Michigan in response to his annual request for legislative proposals from each agency. The Governor of Michigan also requires this agency to submit an analysis of each bill introduced during the legislative session which would affect the agency. These analyses are prepared by the UI director's staff, with the advice of the Staff Legislative Committee. This function sometimes requires the writing of alternative proposals at the request of a member of the legislature or the Governor's office.

Responsibilities in the legislative area require also that the UI Division analyze, interpret, and prepare any necessary implementing operating procedures or other interpretive material on Federal legislation or amendments to the Michigan Employment Security Act.

Whenever it becomes necessary to revise or add Commission regulations, either as a result of new legislation or some other development, the UI Director also has the primary responsibility for the drafting of such regulations for submission to the Commission. This function is performed with the assistance of the *Regulations Committee* which is composed of the same members as the *Staff Legislative Committee.* When a material program change is required by Federal or State legislation, or new or amended regulations, the UI director is usually requested by the Field Operations and Employment Service Division to furnish staff members to train local office personnel.

There are three other committees under the chairmanship of the UI director which perform functions related to appeals and policy. The *Benefit Appeals Committee* consists of the UI director as chairman; the director of the Field Operations and Employment Service Division and the chief of the Benefits Section as regular members; and an assistant attorney general and a representative from the Referee Section as advisory members. The *Liability Appeals Committee* consists of the UI director as chairman, the chief of the Contributions Section as a regular member, and the assistant attorney general and a representative of the Referee Section as advisory members.

These two committees review, for possible rehearing, reopening, or appeal to higher appellate tribunals, those cases (benefit cases are reviewed by the first committee; liability cases, by the second named committee) which appear to be contrary to the statute, regulations, or policies of the commission. The committees in due course recommend to the executive director, for rehearing, reopening, or appeal, those cases which involve issues of material significance with respect to interpretations of law.

The *Policy Committee* consists of the UI director as chairman; the director of the Field Operations and Employment Service Division, the chief of Benefits Section, the chief of Contributions Section, and the chief of Referee Section as regular members; and an assistant attorney general as an advisory member. The duties and responsibilities of this committee are to develop and submit policy statements to the executive director for consideration by the commission whenever it is deemed that formal pronouncements by the commission are necessary for the proper administration of the statute.

*Representation.*—A function of the UI Division which is closely related to the duties and responsibilities of the Policy and Appeals Committees is the furnishing of staff representation or arranging for a member of the attorney general's staff to represent the Commission at hearings before the referee or the Appeal Board. Staff representation before the referee or Appeal Board is provided only in benefit cases. A member of the attorney general's staff represents the commission at all administrative and court levels in liability cases and at the court level in benefit cases. The commission representative appears in selected benefit appeals to state the commission's position with respect to the law applicable in those cases. In other cases, the Benefit or Liability Appeals Committee may specifically request representation, or the Policy Committee may instruct the staff representative as to the committee's interpretation of the facts or law which is to be propounded at the hearing.

The UI director is also chairman of the *Destruction of Commission Records Committee* which recommends policy to the commission concerning the purging of commission records.

In addition to the above committees, which involve primary UI responsibility and of which the UI director is chairman, there are also several other committees of which the UI director is a member. The *Executive Committee* consists of the director and deputy director of the commis-

sion and the directors of the major divisions; i.e., Unemployment Insurance, Administrative Services, Field Operations and Employment Service, and Personnel. The purpose of the Executive Committee is to facilitate communications and aid in the consideration of solutions to pressing agency matters. The *Executive Staff Committee* includes, in addition to the members of the Executive Committee, the heads of the divisions operating immediately under the four major divisions. This committee is operated with an agenda and is designed to afford a forum for staff discussion of any matter which merits participation of the complete executive staff. The *Personnel Policy Committee* consists of the personnel director, director of Field Operations and Employment Service, director of Administrative Services, and the UI director. This committee develops and recommends personnel policy based on the Michigan civil service law. The *Operations Committee* consists of the director of Field Operations and Employment Service, the chief of the ES Division, and the UI director. This committee considers major local office operating problems of a policy nature, such as opening and closing of local offices, special mass claim procedures, and other related problems.

## Conclusion

Thus, it is to be observed that the Unemployment Insurance Division in Michigan is not a fully self-contained division since electronic data processing (employer tax records), budgeting, research, and the local office claims functions are carried on in other divisions. However, any occasional problems that arise in connection with obtaining timely and proper service could just as likely occur under a self-contained organiza-

***The Executive Committee of the Michigan Employment Security Commission (left to right): James W. Jones, Assistant Deputy Director, Administrative Services; Max M. Horton, Deputy Director; Thomas Raumell, Director; John G. Thodis, Administrative Aide (Detroit); James R. Sagel, Assistant Deputy Director, Field Operations and Employment Service; Harold N. Rosemont, Unemployment Insurance Director. Missing from this picture is Eugene E. Busha, Personnel Director.***



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tional arrangement. Staff services, such as computer processing of tax data, research and statistical studies, and budget services, are furnished as expeditiously and with the same degree of accuracy as could be hoped for if the relationship were line instead of staff. Insofar as the claims operation is concerned, it is through the system described that the Field Operations and Employment Service Division and the UI Division have made a reality of functional supervision in Michigan. Without a clear delineation of the areas of responsibility of the two divisions, a strict confinement to the separate spheres of authority, an unequivocal acceptance by the Field Operations and ES Division of the evaluations and recommendations of the UI Division and, above all, a wholehearted willingness to join in a cooperative effort, this nebulous term "functional supervision" could well have degenerated into an ephemeral relationship without meaning or practical significance.

It is perhaps true that the successful operation of this arrangement in Michigan is due to the personal relationship between the Unemployment Insurance director and the Operations Division director developed over the past 27 years. This rapport developed over such a long period of time has undoubtedly influenced the working relationship between their respective staffs. Whether this would be true in other States could well depend on personal rather than organizational factors.

It is not meant to imply that the arrangement developed in Michigan is perfect. Occasionally, breakdowns in communication do occur, but these are usually attributable not to the system but to the failure of an individual to follow the established lines of authority or to utilize properly the appropriate liaison as a means of keeping other affected division heads properly informed. It cannot be presumed that Michigan's present organization will always be the most efficient or practical method of operating, particularly in view of the rapidly increasing responsibilities of this agency as a result of Federal legislation. Michigan, as well as other States, must continually evaluate its organizational structure in view of the program services it must perform and take the necessary action to insure its readiness to perform these expanded responsibilities properly and efficiently.

## Role of
# The Tennessee Director

*Emmett Conner**

THIS discussion covers the Tennessee Unemployment Insurance Director's duties and responsibilities for local office functions, and for working relations with staff at the State office level. It excludes mention of the Director's activities as related to line operations in the central office and to line operations concerning tax men and fraud investigators in the field. Changes in program responsibilities and in the organizational structure are noted to the extent necessary to explain the present system of managing and operating the unemployment insurance program in Tennessee.

### Organization and Program Changes

Twenty years ago, the roles of the Directors of Unemployment Compensation and of the Employment Service were relatively simple compared with today's situation. Both were responsible to an Executive Director who, in turn, was responsible to the Commissioner of Labor. The Employment Service Director, with the aid of an assistant and a four-man staff, exercised line authority over the local office managers, along with carrying out his employment service duties.

Unemployment compensation functions in the local offices were limited strictly to claims taking, and claims were of only two varieties—Tennessee unemployment insurance claims and agent State unemployment insurance claims. Not in effect at that time were claims under programs such as Unemployment Compensation for Federal Employees (UCFE), Unemployment Compensation for Ex-Servicemen (UCX), Temporary Extended Compensation (TEC), and joint claims under these programs. Nor were there the interstate combined claims under the basic plan and the extended plan, or prospective claims under the Trade Expansion Act.

*Director of Unemployment Insurance, Tennessee Department of Employment Security.

Technical knowledge requirements have broadened over the years to take into account the expanded diversity and complexity of State laws, and the kinds of information needed to assist in the preparation of a wide variety of allowances, including regular, increased, and reduced training allowances; youth and special youth allowances; and transportation, supplemental, subsistence, and potential relocation allowances.

Issue cases were not handled by local office personnel 20 years ago. Instead, they were referred to a field deputy who was under the line supervision of the chief deputy in the central office who in turn reported to the Unemployment Compensation director. After investigating the facts, the field deputy prepared a report and sent it to the chief deputy who, together with his staff, made all nonmonetary determinations. This procedure provided constant evaluation of field-fact investigations and resulted in a high degree of decision uniformity. It lacked, however, the advantages that flow from a face-to-face meeting between the decisionmaker and the claimant, which exists under the decentralized nonmonetary decisionmaking setup that prevails today in Tennessee.

Experience rating and the effect of benefit charges presented few administrative problems in the early days of the program. Complaints relating to nonmonetary determinations were handled in the field by the deputies except for the routine paperwork in connection with an appeal. Field deputies were called into the central office periodically for training sessions and, on returning to the field, provided additional functional assistance and counsel to the claims takers.

A State claims supervisor reporting to the chief of benefits, who in turn reported to the Unemployment Compensation director, traveled over the State and provided technical claims taking assistance, thus implementing the functional supervision exercised by central office unemployment insurance authorities over local office unemployment insurance activities.

Instructions to local offices on unemployment insurance matters, chiefly relating to forms and procedures connected with claims taking, were prepared by the Unemployment Insurance director's staff and issued to the field over the signature of the executive director. Instructions relating to field investigations of issue claims, interpretations of the law, regulations, benefit policies, determinations, etc., were issued to the field deputies by the chief deputy over his own signature.

Immediately following World War II, the Tennessee Employment Security Agency was removed from the State Department of Labor by legislative action and set up as an independent department headed by a commissioner who reported to the Governor. This is its current status.

After the creation of the new department, the incumbent commissioner made certain organizational changes which materially altered the relationship between the Unemployment Insurance director and local office unemployment insurance activities. He created the post of State field manager and vested in him line authority over all local office activities, to be exercised through outstationed district managers.

The Employment Service and Unemployment Compensation directors retained functional authority over their respective areas in local office activities. Policies, procedures, form changes, and program plans were to originate with the respective directors. All plans, however, were to be implemented by the State field manager, and releases prepared by the directors were to be sent to the local offices over the State field manager's signature.

The State claims supervisor (now known as a benefit operations specialist) was moved from the Benefit Section of the Unemployment Compensation Division and placed directly under the State field manager.

Nonmonetary determinations were decentralized with the exception of those involving fraud, labor disputes, and gross misconduct.

After this change the local office necessarily assumed the responsibility of factfinding investigations except in cases connected with the issues specifically excepted above.

The Benefit Section retained the right to reconsider nonmonetary decisions where field adjudications were considered out of line with policy. This is true at the present time.

Partial claims which previously had been sent directly to the central office by employers were routed through the local offices for recordkeeping purposes. This system of handling partials obtains today. We have considered, but not accepted, the procedure of requiring partial claimants to report personally to the local office in all cases.

Slightly more than 2 years ago another fundamental organizational change occurred in this agency when the Employment Service director resigned and the post of State field manager was abolished. The duties and responsibilities of the State field manager were added to those already held by the Employment Service director, and the individual who occupied the post of State field manager was appointed as the new Employment Service director.

The staff of the State field manager at the time the position was abolished consisted of a number of field advisers officially located in the central office. Each advisor was assigned a specific area in the State and periodically visited his designated area.

Under the present setup, the Employment Service director now has the staff formerly attached to the State field manager's office plus the staff previously assigned to the Employment Service director's office, including the benefit operations specialist.

Another significant development occurred in Tennessee when separate offices for unemployment insurance and employment service activities were established in our four metropolitan cities.

## The Situation Today

The Unemployment Insurance director's functional supervision over local office employment insurance activities remains as it existed under the State field manager setup. He does not exercise line authority over any of the claims offices in the metropolitan areas or over the unemployment insurance activities in any of the other local offices.

Job specifications for the Unemployment Insurance director set forth his functional authority over local office unemployment insurance matters in the following language: "To direct the work of the unemployment compensation staff, and to develop and install procedures; to provide instructions through the director of the Employment Service in establishing and adhering to approved methods and procedures in local offices . . .; to review and approve or disapprove administrative rules and regulations; to coordinate the unemployment compensation program with other phases of the department."

The Unemployment Insurance director's staff is limited to the sectional operating heads of the tax, benefit, fraud, and machine operations functions, plus a Federal programs aide. He has no staff technicians or functional supervisors to provide liaison between his office and the local office unemployment insurance personnel.

In practice, however, the benefit operations specialist attached to the staff of the Employment Service director works very closely with the Unemployment Insurance director's office. Daily consultations between the Unemployment Insurance director and the benefit operations specialist encompass the entire range of unemployment insurance activity, including policy determination, the preparation of interpretative releases and guide material for local office use in nonmonetary determinations, the preparation of manual material for claims-taking operations, the conduct of interstate and intrastate claims evaluation, and the content and conduct of training in the field. They are concerned also with the discussion and selection of cases adjudicated by the appeals referee which should be appealed to the Board of Review for the establishment of precedents, and the discussion and selection of Board of Review cases for inclusion in an agency Precedent Manual distributed to employers, unions, and other interested outside parties.

Also included, for example, are the discussion and evaluation of regional office and Bureau of Employment Security recommendations relating to unemployment insurance subjects such as periodic interviews, interoffice procedures between separated unemployment insurance and employment service offices, the updating of guide cards, the selection and preparation of material for BRI (Benefit Rights Interview) film presentation.

In addition to working closely with the benefit operations specialist, the Unemployment Insurance director consults frequently with field advisers on unemployment insurance problems presented to them by local office personnel. He receives a substantial number of direct telephone calls and memoranda from local office unemployment insurance personnel seeking assistance on problems, and answers a variety of questions during periodic visits to local offices.

Aside from his other responsibilities, the Unemployment Insurance director acts as a staff officer to the commissioner and deputy commissioner. In that capacity he assists in the preparation of workload estimates for budget submissions, and participates in preliminary discussions and in reviews of budgets. He also participates in staff planning in the light of final budgetary grants.

The Research and Statistics Section of the agency is organized so that one unit devotes its attention exclusively to unemployment insurance work and another unit to employment service work. The Unemployment Insurance director works closely with the unemployment insurance unit. Together they evaluate proposed legislative changes relating to disqualifications; they assess the continuing adequacy of the trust fund with a view toward making joint legislative proposals; and they study existing and proposed benefit and tax formulas and evaluate their monetary implications.

The Unemployment Insurance director works closely with the Public Relations Section in the development and presentation of unemployment insurance press releases and speech material. In addition to this function, he personally makes a number of talks before employer, union, and other groups throughout the State.

In conclusion it should be noted that in view of program and organizational changes during the past 20 years, and the many added responsibilities and duties, it should appear inevitable that specialization will increase rather than decrease, and that there will be a growing need for an adequate supervisory and technical staff to do an effective job of managing an unemployment insurance program.

# Claims Operations in Metropolitan Areas

*Edward L. Webb**

THE overall costs of administering and operating unemployment insurance programs have increased steadily in recent years. Most of these cost advances are types that are not controllable, or are controllable to a very limited degree. They include higher expenditures for supplies, equipment, leases, and retirement costs, as well as salaries. The fact that these cost increases are present and persistent is a challenge to all personnel to obtain the most efficient results within those areas of the operation which can be controlled. To obtain such efficiency requires careful utilization of organization and management principles. It demands a review of the entire structure of an organization to determine whether or not it is competently serving the purpose for which it was originally established. Required also is a periodic reevaluation of the management system to ascertain whether or not the necessary quantity and quality controls over operations are being exercised.

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## Metropolitan Areas

In undertaking a review of this type, it is essential to begin with those segments of the operation which have the greatest volume of activity and personnel. The 55 major metropolitan statistical areas account for 55 to 60 percent of the wage and salary employment in this country. Inclusion of the remaining standard metropolitan statistical areas brings this total of wage and salary employment to approximately 80 percent. In effect, therefore, these areas represent the major portion of the workload in the unemployment insurance operation. Establishment of a program to improve efficiency in our operation would necessarily give priority in consideration to these particular areas. In fact, staff limitations would dictate a breaking of these into the 55 major areas, 76 secondary areas, and 94 tertiary areas for review in that order.

## Purpose and Scope of Review

There are multiple purposes for initiating a full review of operations in a major metropolitan area. One objective should be to determine upon a plan for the most efficient management structure for servicing claimants within the whole area. A second objective should be to develop the most efficient internal organization for each office within the area structure. This does not imply having a standard organizational structure that would be put in effect in every area. Rather, the emphasis should be on a practical application of standard principles and tailoring the structure and organization to meet the conditions of each labor market and the State laws governing the operation. It is also well to stress that while immediate savings are at times possible, such savings are not always the principal goal. For example, the Michigan agency recently closed a claims office, redistributed the claims load without claimant hardship, and netted sizable savings. This is exceptional. In most situations, the savings will not

be so dramatic or obvious and, in some instances, initial additional investments in personnel or space may be required to effect ultimate savings. Such investments will usually reduce time factors on a long-range basis, or create an administrative buffer against subsequent increases in costs—many of which are inevitable. Other less obvious savings involve the prevention of overpayment and fraud, which help conserve the trust funds. Some of the metropolitan areas that have been reviewed contained offices in which the claims loads assigned, the physical facilities, and the layout and traffic flow prevented an efficient operation. In such cases, reorganization could help produce an acceptable standard of work performance and improved service to claimants.

An evaluation of the current system should include recommendations to improve the internal organization by providing correct assignments, relationships, and supervisory span of control for a more effective management system and for a better coordinating process with Employment Service offices. These recommendations, in turn, should be the foundation for retraining management personnel to insure the continuance of management progress. Recent reviews of several metropolitan areas have found outmoded organizational patterns, less-than-minimum management systems, poor utilization of space, and poor coordination of operations.

## Applying Principles in Review

A review of metropolitan area operations, to be worth while, must be conducted against a predetermined set of principles or concepts which are designed to result in the establishment of a competent office structure, organization, and management system. The principles themselves must be subjected to a validity test to determine whether their application will contribute to an improvement in the basic results required of the operation. The same validity test should be applied to any substitute for these principles or concepts.

The Employment Service in its program for improving operations found it necessary in large metropolitan areas to organize its office structure on an industrial-occupational basis. The Unemployment Insurance Service found that a geographical office structure is more compatible to a distribution of claims workload. These different patterns of organization required that the operations of the two services, and in some cases the physical facilities, be separated. This concept of separate facilities for each program in multioffice metropolitan areas, where necessary, has been well established and accepted. It can be expected to provide equal benefits to the Unemployment Insurance Service operation through better quality in work products, increased management specialization, more effective distribution of total workloads within labor markets, and better office facilities—including layout and traffic flow. *The concept, therefore, of separating Employment Service and Unemployment Insurance Service functions either in independent offices or in independent facilities within the same office, including the provision of identifiable management for each program, is established as a guiding factor in the review.* Some exceptions, where warranted, may be made to this concept. An example might be a self-contained suburban area where separation would not be economically feasible or where a single location would serve both programs equally well.

The growth of the office structure in most metropolitan areas has been the result of reaction to many kinds of pressure—increases in claims loads, desire of localities for service, emergencies, available space, and others. The current office structure, because of this, rarely meets either the full needs of the area for service or the needs of the agency for efficiency. In many areas the workload is too small in some offices and too large and unmanageable in others. In some cases, the location of the office has been outmoded by population shifts. Another factor is that management has grown accustomed to the existing organizational structure and does not readily recognize or accept change as necessary.

The purpose of establishing an office structure in a large metropolitan area is to divide a large workload into manageable portions. In doing this, the labor market of the entire area should be considered to facilitate determinations, for example, of the need for specialized offices, the total number of offices required, and the pinpointing of exceptions because of claimant hardship or other factors. *A second concept, therefore, should be the inclusion of the total labor market (as opposed to the central complex utilized by Employment Service) in developing the office structure.*

Experience in local office operations has demonstrated that offices become inefficient or unwieldy if the workloads are too small or too large. The

smallest workloads advisable in multioffice metropolitan areas (unless other conditions are existing) range from 3,000 to 5,000 total weekly claims. The largest workload which an office can absorb readily ranges from 8,000 to 12,000 (depending upon decentralization of activities and State law requirements). Above this range, traffic, layout, and intermittent staff (peakloads) generally create management problems and inefficiency. Where the total workload in a metropolitan area exceeds the maximum workload which should be assigned a single office, a multioffice structure is necessary. *Consequently, another guiding factor will be to establish only those offices which can anticipate workloads within the expressed limits of efficiency.* Exceptions to this principle will be primarily those offices necessary to avoid claimant hardship, or where specialization is warranted by savings in operating costs, or to control benefit payments adequately.

In dividing the claims workload of a large metropolitan area into manageable segments, a standard concept or plan must be used which will provide an efficient office structure. There are, of course, several types of plans that could be considered—an industrial-occupational pattern, a geographic pattern, a combined industrial-occupational-geographic pattern, or a large centralized office. The geographic pattern has several advantages:

1. It permits the distribution of workload to offices in a volume which is conducive to efficiency.

2. It minimizes the inconvenience to claimants since the offices are more accessible in terms of distance and travel time.

3. It maintains the same opportunity to expose claimants to a job test through registration with the Employment Service and the process of periodic interviews.

4. It permits efficient processing through specialization by type of insurance program (interstate; Federal; MDTA) where the volume of claims in the area warrants such action.

5. It distributes the workload in an industrial mix which tends to stabilize the claims load and reduce peakloads and this, in turn, stabilizes the basic staff and limits the need for intermittent staff.

6. The stabilization of the basic staff encourages a proper management structure for individual offices.

In utilizing a geographic pattern for establishing claims offices in a metropolitan area, it is necessary to consider the following factors:

1. The minimum and maximum workloads which can be assigned to a given office, compatible with efficient processing of claims.

2. The geographic segments (natural) of the area and other segments which can be readily defined to the general public and the transportation hubs which exist.

3. The need for one central claims office (or more, depending upon volume) to serve the claimants residing centrally and to provide supplemental service to claimants of the other segments which do not warrant separate offices. The central claims office performs this function as it is located at the transportation hub of the labor market area.

4. The balancing, to the extent possible, of workload on an industrial basis (claimant industry) to provide the appropriate base load and staff in each office.

5. The provision of offices or itinerant service on an exception basis when undue hardship (travel, time, and cost) would be experienced by claimants.

6. The need for specialized offices for programs or activities where the volume should produce greater efficiency and less cost or where fraud could be reduced. This would include interstate claims offices, Federal program claims offices, and longshoremen claims offices. The primary consideration for this type of specialized office involves savings in processing costs or savings to the State fund.

Having derived a proposed office structure for the metropolitan area, which is the first step in the review process, it is now necessary to compare this with the existing structure to evaluate those changes which are necessary for improvement. If past experience in this process can be used as an indicator, there probably will exist several geographic offices which have too small a workload and are unnecessarily close to each other; or, there may be a central office overloaded to the point where problems occur with every claims peak. There may be occupational claims offices located downtown within a few blocks of each other; or poorly established geographical areas that have, in effect, eliminated any rule on assignment of claimants; or the condition of several offices may prohibit any sensible traffic flow or layout. These situations are not found uniformly in all areas,

and where they are found, the conditions generally can be corrected. To have an objective evaluation of the location, physical conditions, layout, and traffic flow of each office in the structure, the task should be assigned to personnel from an area other than the one being reviewed.

A further principle reflects the need for central control of the multioffice structure, particularly of specific functions. *This concept establishes an area manager having the responsibility of managing the entire area's labor market claims operation.* It is based on the need for central control of: (1) Public relations to avoid having several managers placing individual and sometimes conflicting news releases with the newspapers serving the area; (2) relations with the city government and with community organizations which are areawide in scope and action, such as chambers of commerce, unions, and employer associations; (3) situations arising from labor disputes affecting larger firms whose workers reside in many parts of the area (determinations in such cases affect all of the individual claims offices); (4) major layoffs occurring in firms served by more than one claims office (claimants will be more efficiently served at the area level); and (5) certain administrative aspects of management. Included in the latter are personnel recruitment and training, which are accomplished far more effectively through specialization at a central point. This applies also to the distribution of personnel to the local offices, particularly when there is need to shift them between offices during temporary or emergency conditions. A centralized review of individual office reports and plans permits the development of a coordinated areawide plan of action. And many lines of interdependency will remain between separated ES and UI offices which can best be controlled at the next higher level.

Management, for the most part, will agree with the reasoning and concepts which have been set forth here. Translating this acceptance into concrete activity, however, is both a problem and a challenge. The immediate reaction may be that change, even for the better, creates other problems, which could include further pressures on limited staff and community reaction to a shift in the local office location. The responsibility of administration, however, is *not* to maintain status quo, but to secure improvement and to resolve the inherent problems of resistance. The assignment of personnel to a small task force for reviewing the claims structure could be an initial step and may start a chain reaction of improvement.

# Evaluating Performance in Claims Operations

*K. E. Roberts**

ATTEMPTS to find better and more complete ways of evaluating work performance in unemployment insurance programs probably should involve consideration of certain different methods or viewpoints.

During the considerations it is necessary to keep in mind the context within which the evaluation activity takes place. Evaluation is only one phase of the process of controlling the quality of work being performed. Controlling work quality implies three steps which are carried out repeatedly.

The first step is to determine the current quality of work performance. Although all three steps are often loosely referred to as *evaluation*, the first, strictly speaking, is the only one which should be called by that name since it is the only one in which performance or work products are weighed for value. This step involves finding any repetitions of inadequate performance since current patterns will most often continue in the future unless supervisory action is taken to redirect performance into more desirable channels.

The second step is to decide how to prevent continuation of any undesirable patterns of performance. This involves finding out why the repetitions of inadequacies occurred.

The third step in the quality control process is to take any needed remedial or preventive action. Sometimes this may mean that the supervisor changes this job behavior rather than changing the performance of those for whom he is responsble and other times, for example, revised time schedules or retraining may be called for.

In actual practice the steps of the quality control process often merge into one another or influence each other considerably because of their interde-

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pendence. Because of this, an evaluation system which allows all three steps of quality control to be carried out effectively and efficiently should be chosen.

## Approaches to Evaluation

One approach to evaluation might be called "interviewer oriented." This method is to observe a number of interviews of a certain type performed by a given claims examiner. This is probably the most traditional of the approaches. For example, a supervisor will observe 10 periodic interviews performed by one claims examiner. Or, a supervisor might use a form such as the ES–618 (Analysis of Nonmonetary Determinations) to review the records of a number of nonmonetary determinations completed by an examiner. The supervisor then determines whether the claims examiner failed to perform in the desired manner more than once and, if so, pinpoints the problem area, or areas, as closely as possible. For instance, the supervisor might find that the claims examiner failed to investigate the possibility of an unreasonable wage restriction in 4 out of 10 applicable availability issue cases. The next step for the supervisor is to determine why it occurred and to take remedial action. In a program of total UI evaluation, the performance of each claims examiner in each of the claims functions is analyzed.

Another approach to evaluation is one which could be called "claimant oriented." In this approach the propriety of all the actions taken to serve an individual claimant since the beginning of his claim is examined. Usually, this is an evaluation by records rather than by observation, although both methods can be utilized if desired. Claimants who have drawn benefits for more than 4 or 5 weeks are selected for the evaluation sample so that it will include those who have had a chance to be served at a number of work stations (such as initial claims, benefit rights interview, continued claims, and periodic interview). In turn, the service given to several other claimants will be analyzed so that the evaluator has a picture of the service given to claimants in general as well as to those in the sample group. In a sense, this is more an evaluation of results to claimants than of the performance of individual staff members. This approach is similar to that taken by Employment Service supervisors when they evaluate to see if all possible action was taken to place an applicant rather than to determine only if a good work application was taken or a proper counseling interview conducted.

If an evaluation program does not make provision for the claimant-oriented approach, this approach should be considered—either as a replacement for certain current evaluations or as an adjunct to them. Incidentally, this same approach could be adapted to measure service given to individual employers in States having an experience rating system that allows employers relief from benefit charges under certain conditions, such as a voluntary leaving or discharge for cause.

## Evaluation at Supervisory Levels

Some evaluation programs call for each level of supervision (up to the local office manager or field supervisor, at least) to evaluate a certain number of records, and to observe a given number of interviews per month. There are two parts to the theory underlying such programs:

1. Each level of supervision must perform the evaluations to see how well each staff member is doing, and to obtain necessary details if any remedial action is indicated.

2. The first level of supervision is responsible for primary review of claims examiners' work to give them direct guidance. Succeedingly higher levels in the organization review claims examiners' work to evaluate the performance of subordinate supervisors. A trend of inadequacy in claims examiners' work shows a higher level supervisor where his subordinate should be taking action. Whether the trend continues or not gives an indication of the effectiveness of the actions taken by the subordinate supervisor.

In some circles it is felt that there are two major disadvantages to this kind of evaluation program: (1) everyone is duplicating the efforts of everyone else, and (2) the performance of supervisors should be evaluated by more direct means, and only the first-level supervisor should evaluate the work of the claims examiners on a regular basis. Once the higher levels of supervision are convinced that the direct supervisor is using the proper standards and methods in his evaluations, the higher levels should stop evaluating the claims examiners' work directly. For example, in evaluating the work of his subordinate supervisor, a local office manager should take such actions as reviewing training records to see whether claims examiners have received the appropriate training, examining the


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plans of action drawn up by the subordinate supervisor to correct problems he has found in his evaluations, reviewing statistical data which give clues to results (such as the statistics showing the number of eligibility issues arising at each of the various work stations), and discussing with a subordinate his plan for improving operations.

### Flexibility in an Evaluation Program

In seeking better evaluation programs the flexibility of the present system and of any proposed methods should be considered. Some systems are so formal and compartmentalized that they do not give a clear picture of the value of the work being performed, either in a particular function or in the overall UI program. Such a system usually has a well-documented plan of evaluation. This plan outlines the tools to be used, such as analyses forms, the number of cases to be evaluated, and the frequency with which evaluations are to be completed. There will be a plan for each of the UI functions, such as overpayments, nonmonetary determinations, and new and additional claims. Although such an evaluation plan is followed faithfully, there may be, and often are, problems of which supervision is unaware. Investigation of these plans shows that they are too narrow in their approach to evaluation and that they are too rigidly adhered to by the evaluators. For example, a formal analysis of 20 nonmonetary determinations, using a form such as the ES–618, may show four or five instances in which not enough information was obtained from the claimant about his availability for work. One case may provide a clue that a UCFE claimant who had retired because of age from his last job was required to meet different eligibility requirements than were the non-UCFE claimants. Unless the evaluation system is flexible enough to provide for checking out the clue, by a review of UCFE cases on the same point, supervision will not be obtaining the kind of information needed for proper direction of staff.

### Practicality of System

Some supervisors have been known to say, "I just don't have time to complete all these evaluations. I'm too busy supervising." They feel that the regular, planned evaluations are just another chore and see no merit in the evaluations as day-by-day supervisory tools. They fail to appreciate fully that supervision consists of finding out what is going on in their work sections and taking any action needed to make sure that the work is completed properly. When this is the case, the question of practicality arises. If an evaluation system is to be complete, it must be useful to all who are to use it. Perhaps different methods of evaluation should be used by different levels of supervision; perhaps some levels should do no planned evaluation at all. Supervisory methods often are fitted to the personality of the claims examiner so that he can be stimulated to perform in the desired manner. Perhaps evaluation methods should also be tailored to stimulate individual supervisors to become more fully aware of what is happening in their work sections.

### Relationship to ES Programs

Another consideration in improving an evaluation system is this: Should unemployment insurance programs be evaluated without considering employment service programs at the same time?

The claimant oriented approach to evaluation mentioned earlier is designed to give the supervisor a broad picture of the UI service given to claimants, but even this viewpoint may be too narrow for the evaluation process. We should look at a claimant as a man in need of a job and consider all the services available to him. If, for example, a claimant always gets his jobs through his union, we can proceed to pay benefits or make a nonmonetary determination, or whatever UI action is appropriate. On the other hand, if the claimant is not always sent to jobs by a union, and he could benefit from one of the employment services, we should refer him to the Employment Service before, or immediately after, paying benefits.

From this viewpoint, most UI evaluations should include an analysis of whether the claimant was referred to the ES office when appropriate. For instance, at the initial claim point, we evaluate to see whether the claimstaker ascertained if the claimant was laid off, quit voluntarily, was discharged, or is involved in a labor dispute. We should go one step further in this example and see if the claimstaker learned the real reason for the separation, or why the claimant is not working. If there is a case where automation is revealed as the underlying cause, referral to the ES office for counseling or consideration for a retraining course is in order, and a claimstaker who has not investigated the need for this action has not performed as well as he should.

After all other factors have been considered

when improvement in an evaluation program is being sought there is one more. No evaluation system should be considered as complete until there is built into it some means of controlling and correcting the evaluation system itself. None of our evaluations are very precise measuring sticks and none of our systems is very scientific. We need, therefore, in our evaluation program some way of telling whether we are obtaining the information we must have to see to it that the people for whom we are responsible accomplish the objectives of the program we supervise.

# Issues Reflected in Recent Appeals Decisions

## Relation of Offense to Discharge in Misconduct Cases*

"It's not right that the employer should fire me for something that happened 6 weeks ago. I always did my work well and had no trouble since then. It's true that business was slow, but he should have laid me off like he laid off the other men."

The claims deputy who was interviewing the claimant again looked at the employer's separation form which read, "Discharged for causing an altercation in the factory on February 12, 1964."

It is true that an employer has the right to discharge an employee for any reason he believes to be justifiable. However, in order for the claimant to be disqualified from receiving benefits because of such a discharge, certain elements must be established affirmatively—it must be shown that the offense was the primary cause of the discharge, that it was connected with the claimant's work, and that it was misconduct within the meaning of the unemployment insurance law. Misconduct connected with the work is usually interpreted as meaning a deliberate act or omission by the worker in disregard of his obligations under the contract of employment and which materially injured his employer's interests.

In some cases these tests pose no particular problems, but in many instances they present difficulties for unemployment insurance authorities. This is especially true with respect to the requirement that the offense or act of misconduct must be shown to be the primary cause of the claimant's discharge. Another problem area involves the causal relationship test, the time elapsing between the date of the alleged act and the date of the discharge. For example, should a discharge for an act of misconduct committed by the employee weeks or even months before the dismissal sustain a discharge for misconduct disqualification? What period of time should be considered as too remote for preventing a disqualification?

A case in point is Texas decision No. 81–AT–UCX–62, December 19, 1962 (Tex. A, MC–45.2–17, BSSUI). The claimant, an ex-serviceman, was previously employed as a traveling salesman for a wholesale concern at $90 per week. After his military discharge, when he was rehired as a deliveryman at $85 per week, he filed charges under the Selective Service Act, stating that he was given neither the job nor the salary that he was receiving when called into the service. On the day the employer learned of these charges, the claimant was discharged. The employer, however, contended the claimant's charges had nothing to do with his dismissal, alleging instead that he was discharged for certain other incidents, most of which had occurred long before. Such incidents included the following: Requesting an increase in wages about 15 months prior to his discharge; leaving his 6-year-old son in the store all day on one occasion; slowness in restocking merchandise, which was part of his job; drinking

*Prepared in Division of Determinations and Hearings, Unemployment Insurance Service, Bureau of Employment Security.

two cups of coffee on a day before his discharge; and a statement upon his release from military service that he was trying to find another job.

The appeal tribunal concluded that the claimant was discharged actually because of the charges he filed regarding his reemployment rights as a veteran rather than the other matters alleged by the employer, and that exercise of his legal rights under Federal law did not constitute misconduct connected with his work. Accordingly, the initial determination disqualifying the claimant was reversed.

Another decision which turned partly upon the factor of time lapse between the claimant's acts of misconduct and the date of the discharge, and partly upon the relation between the employer's alleged and actual reason for his discharge, is South Carolina No. 63–C–46, June 26, 1963 (S.C. B, MC–385–65, BSSUI). A furnace installer reported to work on December 20 somewhat under the influence of liquor which he drank to ease the pain of a back injury, left his post early to purchase some liquor and then reported back to the shop in an intoxicated condition. Nothing was said about his being discharged then, or 2 days later, when he came in for his pay, at which time the employer asked him to return to work on the following Monday. The claimant agreed to do so but was hospitalized for several weeks because of his back injury.

When able to work, the claimant testified he contacted the employer who told him to apply for unemployment insurance until business picked up, at which time he could return to work. On filing his benefit claim he learned that the employer had discharged him allegedly for being drunk on the job and annoying customers, accusations which the claimant denied. The Employment Security Commission found that the claimant would have been subject to disqualification if the employer had discharged him on "December 20 when he went on the job 'under the influence' to at least some extent," and then after leaving his post early, returned in an intoxicated condition. The employer did not do so, however, the Commission stated, and the record did not establish that the claimant's separation was because of misconduct on his part. The decision of the appeal tribunal which had allowed benefits, therefore, was affirmed.

A recent New Mexico decision (No. 6849–AT, March 20, 1963: N. Mex. A, MC–385–63, BSSUI) concerned a 19-year-old stock clerk who attended night school from 6 to 8 p.m., 4 nights a week, and worked from 9 a.m. to 5:30 p.m., with an hour for lunch, that is, 7½ hours a day, although he received 8 hours' pay. When business conditions required it, however, all employees were expected to work 8 hours a day—from 9 a.m. to 6 p.m.

Although he was a good worker when first employed, the claimant became insubordinate to his supervisor, ate lunch while on duty, prior to taking a full 1-hour lunch period, and was slow in performing errands. He was not discharged, however, until after his mother complained to the employer that an extension of his work hours (because of the Christmas holiday business conditions) to 6 p.m. would interfere with his attendance at night school.

The appeals examiner held that he was discharged for reasons other than misconduct connected with his work. "Generally," the examiner stated, "insubordination is misconduct in connection with work and a discharge for misconduct must be primarily for the offense. In this case the basic reason for the discharge of the claimant was the telephone call made by his mother which angered the employer, and not claimant's misconduct."

Quite different as to facts is a New York Appeal Board decision (No. 85,263, March 1, 1962; N.Y. B, MC–385–43, BSSUI) concerning a claimant who voluntarily left her employment prior to the employer's discovery of her wrongdoing in connection with her work, which discovery then raised the issue of whether or not she should be denied benefits under a special or aggravated misconduct provision of the New York law. In greater detail, the claimant quit her job as a bank teller because she was annoyed when questioned about her marital status by a bank official who believed her personal and private conduct was detrimental to the best interest of the bank. About 2 weeks later, following a routine bank examination which revealed a shortage of $1,700 in an account, the claimant signed a written admission that she had misappropriated the funds in question.

The revised initial determination had held that she lost her employment as a result of an act constituting a felony in connection with her employment. The referee overruled the determination and the Appeal Board affirmed the decision of the referee on the ground that there was no connection between the claimant's loss of employment and

her felonious conduct, inasmuch as the employer did not even suspect her of misappropriating funds until after she quit. The board declared, "The loss of employment must be the consequence, proximate cause, or in the words of the statute, 'as a result of an act constituting a felony.'"

The Appeal Board further held that she did not leave in anticipation of discovery of her felonious act, considering that her alleged reason for quitting arose out of an unrelated incident instigated by the employer; namely, the bank officer's questioning her about her marital status. The referee and the board disqualified her, however, on the issue of voluntary leaving her employment without good cause, in that she failed to demonstrate that "her clash of personalities and inability to work harmoniously with her supervisor" constituted good cause for abandoning her job.

A decision of the Ohio Court of Appeals, Franklin County, December 29, 1961, in *Everett B. Hawkins* v. *Leach, Bureau of Unemployment Compensation, and Columbus Coated Fabric Corp.* (MC–385–55, BSSUI, 185 N.E. 2d 36) illustrates the evidentiary problems sometimes involved in cases concerned with the relation of the offense to the discharge. The claimant, a factory employee on the second shift, was discharged pursuant to the terms of a labor-management agreement allegedly for reporting for duty after his lunch period under the influence of liquor. His foreman testified that the claimant staggered as he made a turn to avoid a table near the timeclock, although he conceded that a normal person might be unsteady on his feet while making the same turn. The claimant admitted that he drank one bottle of beer during his lunch hour, 6:30 to 7:30 p.m., but denied that he was intoxicated or under the influence of alcohol when he returned to the factory. He stated also that he consumed no other alcoholic beverage throughout that day. According to the union president, the claimant did not appear to be under the influence of alcohol and in all respects appeared to be normal.

The Board of Review had held that the claimant was discharged for just cause connected with the work. (The Ohio law substitutes the words "just cause" for the commonly used term "misconduct.") The lower court affirmed the board's decision, but the court of appeals reversed the decision, stating there was insufficient evidence to prove that the claimant was under the influence of alcohol.

Noting the contention that the Board of Review was entitled to reject the reason given by the employer and make an independent determination upon other grounds of record, which would justify discharge for cause, the court of appeals stated there was no evidence that these other grounds were the basis of the discharge. The court declared, "The existence of grounds upon which the employee might have been discharged is immaterial if they were not in fact the grounds of discharge."

Is a claimant's conduct condoned if he is not warned about it, and is later discharged? This was the question in a Minnesota case (No. 2450–B–63, October 17, 1963; Minn. A, MC–385–67, BSSUI) in which the appeal tribunal, in its determination as to the actual, rather than the alleged, basis for the claimant's discharge took into consideration the fact that she had received no warning prior to her discharge. A secretary for a retail store who, with other officeworkers, was occasionally late to work, and late in returning from lunch and coffee breaks, but had never been warned about her lateness, continued working until the employer, having become dissatisfied with her work performance, discharged her. The appeal tribunal held that she was discharged for reasons other than misconduct connected with the work upon the ground that the alleged acts of misconduct attributable to her tardiness had been condoned by the employer, and that mere dissatisfaction with an employee's work does not constitute misconduct within the meaning of the Minnesota employment security law. It is "incumbent upon the employer," the tribunal stated, "to prove that claimant was discharged because of misconduct connected with her work or which interferes with and adversely affects her employment."

These decisions reflect some of the difficulties that confront unemployment insurance authorities in their adjudication of claims involving the concept of causal relationship between the offense and the discharge, and reveal a variety of approaches and views as to the proper solution to be applied.

As we have seen, one such problem is whether consideration of the basis for the discharge should be restricted to the reason or reasons alleged by

the employer, or whether the tribunal may properly consider other factors, including especially the economic conditions affecting the employer's business. Actually, the claimant may have been laid off because the employer had no further work for him to perform.

To illustrate another perplexing type of situation: Suppose a claimant has a record of acts of intentional disregard of the employer's interest which tended materially to injure the employer's business, but the reason named by the employer for the discharge was a final incident not, in itself, constituting misconduct: Should the adjudicator, in determining the basis for the discharge and the claimant's right to benefits, consider only the final act that precipitated the dismissal, or should it weigh the claimant's entire pattern of behavior in connection with the work?

The question of whether or not the claimant's prior conduct had been condoned sometimes enters the picture in cases where the claimant had been retained over a long period of time, despite his repeated acts of misconduct connected with the employment. A related question usually considered in such situations is whether or not the claimant, prior to his dismissal, had been sufficiently warned concerning his previous wrongdoing. In many cases the problem of evidence or proof is of paramount importance in the determination of the true cause of the claimant's discharge, and the role of factfinding is of especial significance.

# Operations Developments*

### Operations Studies Underway:

♦ Review systems of work measurement, including work sampling, for possible improvement of present time and cost reporting of State UI activities. (BES–UIS)

♦ Study of the most efficient local office structure for claims processing—in Boston, Philadelphia, Pittsburgh, and Los Angeles. (BES–States)

♦ A study to determine the feasibility of transmitting claims information from local offices directly into a computer system located in the central office, to determine claimant's eligibility and the benefit payment amount. If the computed facts show that the claimant is eligible, his benefit check would be prepared automatically in the local office for delivery to him. (New Jersey)

### Tax Conferences:

♦ Salem, Oreg., February 25–27, 1964, for States in Region XI and Hawaii. This was the last of a series conducted by the UI Service to exchange ideas on administration, organization practices, and tools used by field auditors and related staff, and the identification of problem areas.

### Electronic Data Processing:

♦ The UI Service is preparing guides and instructions for States to follow in order to achieve the most efficient utilization of EDP equipment at the least cost. The first electronic data-processing system in a State employment security agency was installed in 1956. At the end of calendar year 1963, 23 States had computer system installations. Many earlier installations have been replaced with more powerful systems.

### Federal Programs:

♦ UCFE—Federal agencies are no longer required to annotate payroll records for UCFE wage-assignment purposes (as of April 1, 1963). Accordingly, UCFE forms were revised: ES–936 (Request for Verification of Wage and Separation Information Furnished on Form ES–931) and ES–939 (Report of Federal Agency Visit UCFE). (UIPL No. 743, December 18, 1963)

♦ TEUC—So far, 42 State agencies have submitted letters requesting authorization to transfer TEUC records from Federal to State accountabil-

*Prepared in the Office of State Operations and the Office of Federal Unemployment Insurance Programs and Training Allowances, Unemployment Insurance Service, Bureau of Employment Security.

ity prior to final disposal. State agency action necessary to receive authorization is described in UIPL No. 744, December 13, 1963.

♦ TRADE READJUSTMENT ALLOWANCES—Score card, as of March 2, 1964, on petitions filed with the U.S. Tariff Commission for determination of eligibility to apply for adjustment assistance under the Trade Expansion Act: 13 petitions filed (5 worker, 6 industry, and 2 firm petitions); 12 petitions denied; 1 industry petition pending.

♦ MDTA—1963 amendments to the act (Public Law 88–214) approved by President Johnson on December 19, 1963, are being implemented. The Department of Labor is developing revised Secretary's regulations, agreements, and procedures.

The amendments provide, in part, for: (1) referral to basic educational training for which allowances will be paid up to an additional 20 weeks; (2) increase of up to $10 a week over a State's regular weekly training allowance for certain trainees; (3) persons engaged in full-time school-type training to work part time up to 20 hours a week without a reduction being made in training allowances; (4) reduction of gainful employment experience from 3 to 2 years as an eligibility factor for training allowance and payment of allowances, in some instances, to a member of a family other than the head of family (or household); (5) reduction from 19 to 17 years in the minimum age for a youth to qualify for training allowance, but requiring, for such allowance, high school graduation or time lapse of at least 1 year since leaving school; (6) increase in the youth training allowance limit from 5 percent of estimated total training allowances to 25 percent of persons receiving training allowances; (7) elimination of 50–50 State matching requirement for fiscal year 1965, and setting State share for fiscal 1966 at 33⅓ percent and at 50 percent thereafter; and (8) payment, as a pilot project, of relocation allowances in certain geographic areas.

# Research Notes*

THE general concern with unemployment is mirrored in research activity by public and private groups in the field of unemployment insurance. All but a few States were active in UI research during the 6-month period April 15–October 15, 1963. Program studies were underway or recently completed in 39 States, UI financing research was budgeted in 40 States, and private groups were studing various aspects of unemployment insurance programs and planning analysis of survey data.

## PROGRAM STUDIES

### Characteristics of the Insured Unemployed

This is the most frequent subject of inquiry. Attempts to learn the "why" of unemployment have led to studies of the "who" from the readily available information.

*Bureau of Employment Security.*—The largest source of information currently available is provided in results of the 1961–62 Family Characteristics Study of claimants receiving benefits under the Temporary Extended Unemployment Compensation (TEUC) Act of 1961. The Bureau of Employment Security recently published the seventh and latest in the series of reports on Family Characteristics of the Long-Term Unemployed. The study compares the characteristics of exhaustees and nonexhaustees.

*States.*—Nine State agencies published 13 reports on their TEUC data (Illinois, Indiana, Massachusetts, Michigan, Nevada, New Jersey, South Carolina, Texas, and Wyoming). Eleven States have 23 reports planned or in progress (Arizona, California, Florida, Illinois, Indiana, Maryland, Michigan, Minnesota, New Jersey, New York, Ohio, Oregon, and Tennessee). Five State agencies are now cooperating with the Bureau in analyzing and compiling national summary reports on the results of a number of studies from the TEUC research program (Arizona, Georgia, Indiana, Oklahoma, and Pennsylvania). Work has begun on a report presenting educational

*Prepared in the Office of Program Development and Legislation and in the Office of Actuarial and Financial Services, Unemployment Insurance Service, Bureau of Employment Security.

characteristics of TEUC claimants in all States (Oklahoma). Several reports are being prepared that pertain to 13 States. They include reports of the income, financial resources, and adjustments made by TEUC and regular program claimants (Indiana); of the labor market experience of claimants after using up their TEUC benefits (Pennsylvania); of the family and economic characteristics of regular claimants (Georgia). Another report covers the family and economic characteristics of interstate TEUC claimants; it is based on data from four States (Arizona).

*Private organizations.*—The W. E. Upjohn Institute for Employment Research is planning to analyze existing TEUC data. The Bureau of Employment Security will furnish the TEUC data and will offer technical advice to the institute. The Bureau endorses this very worth while project, which will permit much more extensive analysis of the information than would be possible with its own limited resources. As a first step in cooperation, the BES sent inquiries to all State employment security agencies in January 1964 to ascertain the availability and present status of all survey questionnaires and other source reports, and to determine the problems involved in assembling this material in a form to permit comparative analysis and interpretation.

## Benefit Entitlement

Ten States completed or had studies underway using the quarterly wage-record method recommended in the Bureau's guide[1] (Alaska, District of Columbia, Florida, Maryland, Mississippi, Missouri, Nevada, New Hampshire, Vermont, and West Virginia). Five States (Arizona, Florida, Nevada, Pennsylvania, and Washington) maintain continuous wage and benefit histories of workers and claimants. Two States plan to begin such recordkeeping (Missouri and Nebraska).

## Benefit Adequacy

Five States have been involved lately in studies falling in this general category (California, Iowa, Mississippi, Missouri, and Ohio). Two of these study reports have been published recently:

*Dependents' Allowances in Ohio.*—Presents the results of a recent study of agency records data and describes the present system in Ohio. No recommendations are made about the dependents allowances provision, but the report summarizes several alternatives to it.

*Adequacy of Unemployment Benefits.*—Report of the Mississippi agency's study, based on local office interviews and records, of claimant characteristics and the extent to which the weekly benefit amount furnishes income replacement for Mississippi claimants. One key finding in the study is that, even during a period of prosperity when unemployment rates were low, significant numbers of claimants were household heads (60 percent), and two-fifths of this group received a weekly benefit amount that was less than half their weekly earnings.

## Labor Market Experience of Exhaustees

Studies underway in five States (Arizona, Idaho, Minnesota, Utah, and Wyoming).

## Disqualification and Nonmonetary Determinations

With rising levels of nonmonetary determinations nationally in recent years, information about these subjects is likely to be needed more and more. Six States (California, Kansas, New York, North Dakota, Oregon, and Texas) have had studies in process during fiscal year 1964, and two others are planning to initiate such studies (Missouri and Tennessee).

One State, New York, completed a *Study of Pregnant Women as Unemployment Insurance Claimants in New York State, November 1963.* The New York agency analyzed July–December 1960 data for all female unemployment insurance claimants (8,749) known to be pregnant. The study indicates that by applying vigorously but fairly the normal disqualification provisions, those pregnant women with good labor force attachment records are being paid benefits as long as they are able to and available for work.

## Miscellaneous Program Studies

Other program areas are being explored in a number of States.

*Delayed filing.*—Idaho, Ohio, South Dakota.

*Claimants with successive benefit years.*—Continuous in four States (Alaska, California, Iowa, North Carolina); completed in one (Washington).

*Prevailing wage.*—California, North Carolina, Washington.

*Comprehensive benefit structure.*—Completed in Idaho, in progress in Hawaii.

[1] Guide for the Conduct of Unemployment Benefit Entitlement Studies BES–U–190, July 1960, Unemployment Insurance Service Bureau of Employment Security.

*Temporary disability insurance.*—California (in progress) with respect to agricultural workers, and New Jersey (planned).

*Other studies.*—Partial UI benefits (New York); overpayments (Arizona, North Dakota); reasons employers have separated claimants (Missouri); and proportionate wage chargebacks (Texas).

### UNEMPLOYMENT INSURANCE FINANCING STUDIES

High levels of unemployment experienced by most States in recent years, with resultant higher cost rates compared with those of prior years, have pointed up the need for "modernizing" State taxing and related financial provisions. Along with recognition of the need for more adequate taxing provisions, there has been a substantial increase in UI financing research to acquire information to serve as a sound basis for their revision. Five research areas most frequently reported by State agencies as being in various stages of completion during fiscal year 1964 were:

*Estimates of anticipated levels of benefit costs over a period of future years.*—Estimates of payout levels represent the first step in a more realistic planning of the program's tax income. In many States, research and analysis in benefit financing are part of their normal research staff functions. Studies vary in scope from (1) a comprehensive analysis of long-range economic trends to formulate future patterns of economic activity as a basis for estimating probable benefit costs which a State must be prepared to meet, to (2) analysis of actual experience compared with the assumptions and projections made in a previous study and with the cost estimates based thereon which may call for a revision and updating of the previous study. (Twelve States: Alabama, Alaska, Arizona, Florida, Idaho, Minnesota, New Jersey, Texas, Utah, Virginia, Washington, and Wyoming.)

*The tax base.*—Impact on tax income of limitation on the taxable wage base, on different industries, and on different types of employers. (Seven States: Georgia, Illinois, Indiana, Missouri, New York, Pennsylvania, and Tennessee.)

*Impact on tax income of benefit costs that do not enter the rating process.*—These costs include benefit payments not charged to any employer and benefit payments charged to employers who are already paying the maximum rate. (Three States: California, New Mexico, and Missouri.)

*Experience-rating technique.*—Impact on taxes of different experience-rating techniques under varying economic conditions. (Four States: Mississippi, New Jersey, New York, and South Dakota).

*Measures and indicators of reserve fund adequacy.*—Increased concern for continued solvency of some States' funds has substantially increased research for more meaningful measures of reserve fund adequacy. These measures include trigger points for signaling the suspension of reduced rates or to invoke alternative tax schedules. (Three States: Hawaii, New Mexico, and North Dakota.)

# Trends in the Economy*

BUOYED by the expected effect that the cut in Federal income taxes will have on the economy, business activity in February and early March continued to move upward, with the auto, steel, and nonelectrical machinery industries spearheading the advance. Demand for new cars remained high as sales set a record in February for the fifth consecutive month; in addition, auto production was well ahead of February 1963 volume and only fractionally lower than the record for the month set in 1955. Steel output in February (on a weekly average basis) was considerably above the preceding month and the rise in the last week of the month marked the ninth successive week that steel production showed an increase. Machine tool orders have surged to their highest level since 1956. The new orders figure for this product is generally considered a significant indicator of the trend in capital spending and a barometer of the trend of business generally. The job situation also improved in

*Prepared in the Office of Program Reports and Research, Administration and Management Service, Bureau of Employment Security.

February as total employment rose more than seasonally and unemployment fell to 5.4 percent (seasonally adjusted) of the civilian labor force. This was the first month since October 1962 that the seasonally adjusted unemployment rate has been this low.

## Employment

Employment totaled 68.0 million in February, an advance of 800,000 from January. All of the gain occurred in the nonfarm sector, where the increase was nearly double the usual January–February pickup. The nonfarm volume, at 64.1 million, was nearly 1.8 million higher than a year earlier, with about half of the gain occurring among adult men. Another third of the job gain was among adult women.

Farm employment was virtually unchanged from January, but the 3.9 million farmworkers represented a decline of about 100,000 from a year earlier.

Included among the employed in February were 2.1 million persons working part time for economic reasons—about the same number as in the preceding month and a year earlier. Approximately half of these employees usually worked full time.

## Unemployment

The volume of *total unemployment* this February, at 4.5 million, was virtually unchanged from January, but the seasonally adjusted rate fell to 5.4 percent from 5.6 percent in the preceding month and 5.9 percent a year earlier. All of the over-the-month decline was among adult men and teenagers. The unemployment rate for adult men was 4.1 percent, compared with 4.3 percent in January and 4.9 percent in February a year ago. For jobless teenagers, the rate moved down to 13.8 percent from 14.9 percent in the preceding month and 15.2 percent a year earlier. The jobless rate for adult women, at 5.6 percent, was little changed both over the month and over the year.

Included in the February jobless total were 1.2 million long-term unemployed (those jobless 15 weeks or longer)—about the same number as in January, but about 150,000 less than the year-earlier figure. Most of the over-the-year improvement was among those out of work 6 months or more.

*Insured unemployment* under State programs totaled 2.3 million in mid-February—compared with 2.4 million in the previous month and 2.6 million last February. Earlier-than-usual callbacks in the apparel industry for work on production lines for the early Easter season was a major factor in the over-the-month reduction. In addition, less joblessness occurred among construction and other outdoor workers.

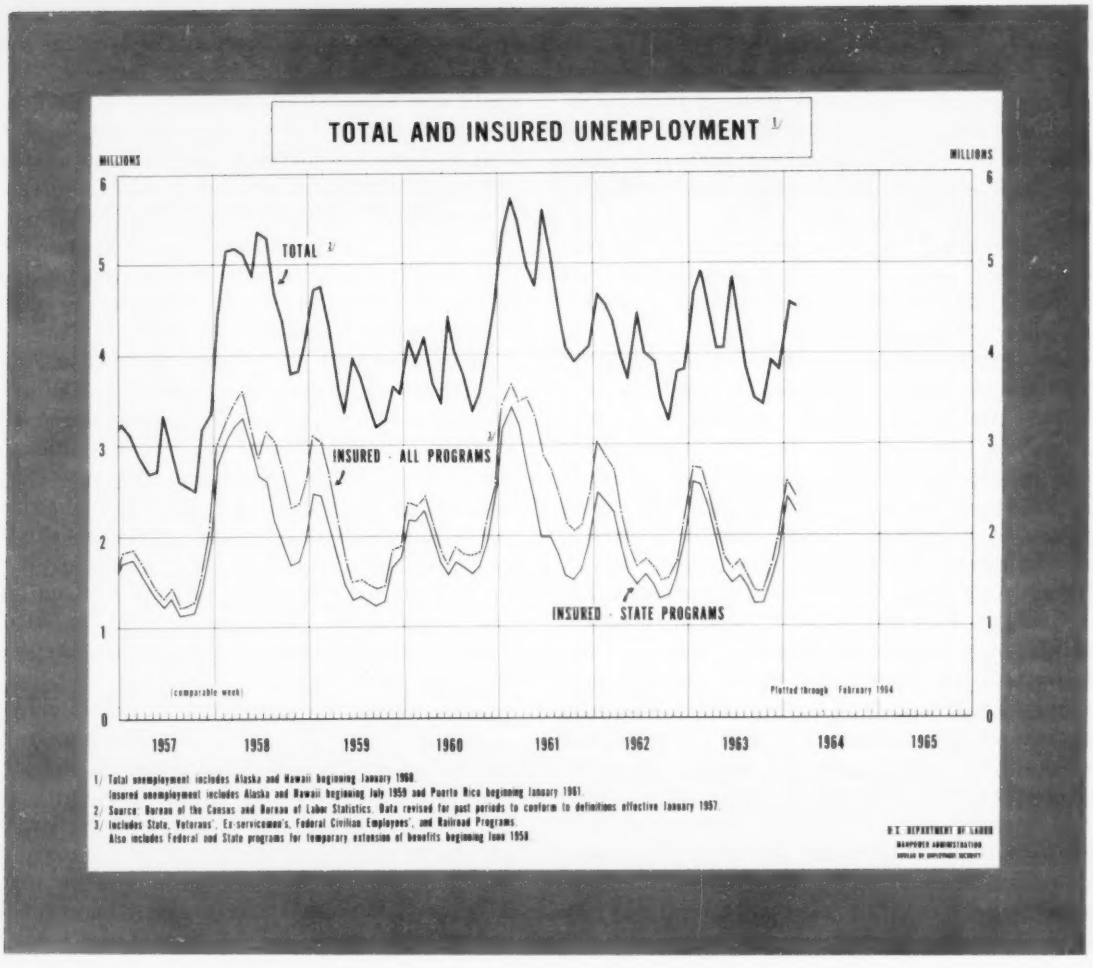
Some 34 States reported less insured unemployment in February than in January. The largest declines occurred in New York (40,000), followed by Pennsylvania (33,000). Massachusetts, New Jersey, and North Carolina reported unemployment reductions from 10,400 to 17,400. Recalls in the apparel industry contributed to the jobless decline in each of the above States. In addition, New York noted less joblessness in leather and construction, while the drop in Pennsylvania also reflected a pickup in the construction industry and hiring in the primary metals industry. Only one State—California—reported a substantial over-the-month rise in insured unemployment. The increase (26,700) was due largely to cutbacks in food processing and to a lesser extent, job reductions in transportation equipment, trade, and construction.

The Nation's insured unemployment rate in mid-February (not seasonally adjusted) was 5.4 percent, down from 5.8 percent in January and 6.2 percent in February 1963. The highest rate this February was reported, as usual, by Alaska (17.3 percent). North Dakota's rate was 10.2 percent, and Washington's was 9.4 percent. Vermont, Montana, and Idaho noted rates ranging from 8.0 to 8.5 percent. The lowest rates (3.0 percent or less) were recorded in the District of Columbia, Florida, and Virginia.

A weekly average of 290,985 *initial claims* were filed under State programs in February; this compares with 412,375 in January. The much-larger-than-seasonal decline (30 percent) in February resulted in the lowest weekly average for the month since 1957.

## Business Activities

*Industrial production* in February, showing the largest advance since last October, set a record for the fifth consecutive month. The seasonally adjusted index rose to 127.6 percent of the 1957–59 average, from the previous high of 127.2 in January. During the month steel output advanced each week and the average weekly figure was about 6 percent ahead of the preceding month. Steel production so far this year is running about 14 per-




cent above the January–February period of 1963. With respect to autos, the February new assemblies total, at 675,000, was a near record for the month. The number was less than 500 below the peak total turned out in February 1955, but well ahead of the 601,000 produced in February 1963. Output of foods, beverages, and other consumer staples showed increases from January, and furniture production continued to expand.

According to a new report from the Department of Commerce, *new plant and equipment expenditures* for all of 1964 are expected to reach $43.2 billion—a rise of 10 percent from the preceding year. If this expectation is realized, the 1964 figure bodes the third consecutive yearly climb from 1961, a year in which plant and equipment spending was $34.4 billion. In manufacturing, outlays are scheduled to rise about 13 percent in 1964, with higher expenditures budgeted by all types of durable-goods makers except electrical machinery and transportation equipment other than autos. Pacesetters are iron and steel and auto producers. Spending by nondurable-goods makers is expected to rise by 12 percent. Pacesetters in this sector are oil refiners, paper and textile makers, and producers of chemicals. Aside from manufacturing, public utilities have programed a 6-percent increase, which (according to the Commerce report) will be the "first significant rise in expenditures by utilities since a decline in 1959." Both electric and gas companies, as well as railroads, plan increases.

The value of *new construction put in place* in February was at an annual rate of $66 billion (seasonally adjusted), compared with $65.8 billion in January. Expenditures this February, however,

were 12 percent greater than a year ago, according to Census Bureau estimates. After adjustment for advanced construction costs, the rise over the year was 9 percent, with gains in most major types of work. The largest relative increases from February 1963 (about 25 percent) were in private industrial building and in sewer and water systems. Private residential building, which has been accounting for about two-fifths of the new construction total, was up 8 percent. The only significant decline was in public residential building—down 11 percent over the year.

*Retail sales* in February rose to a new high for the third successive month, reaching $21.2 billion (after seasonal adjustment). Although this was only about 1 percent above January, it was 4 percent greater than the year-earlier level. Boosted by the automotive and lumber groups, the dollar volume of durable-goods stores sales was about 2 percent greater in February than in January.

*Sales of new cars* in February set a record for the month. This was the fifth consecutive record month since 1964 models were offered. Dealers' deliveries of U.S.-built cars rose to 588,100, compared with 526,900 in February 1963. The selling rate of 23,500 cars a day was 7 percent ahead of the year earlier pace and topped the prior record for the month set in February 1955.

Consumers added to their *installment debt* in January at about the same pace as in December, according to the Federal Reserve Board. Consumer installment debt (seasonally adjusted) rose by $452 million in January, compared with the $460 million expansion in December. Automobile credit and personal loans accounted for more than three-fourths of the total January increase. Auto credit rose $204 million, compared with $207 million in December. Personal loans expanded by $151 million—considerably more than the advance of $119 million the month before. The aggregate of *installment credit outstanding* rose to $53.6 billion on January 31. Adding $15.6 billion of noninstallment credit, such as charge accounts and service credit, total consumer credit at the end of January was $69.2 billion.

*Inventories* held by business declined in January for the first time since mid-1961. The moderate drop in stocks lowered them to a seasonally adjusted $102.9 billion at the end of January—$160 million below December. Factory stocks were down by $260 million (after seasonal adjustment), and those of merchant wholesalers slipped by $80 million. However, retail stocks grew by $18 million, with decreases by furniture and general merchandise stores more than offsetting larger accumulations among lumber, apparel, food, and auto dealers.

The *Consumer Price Index* increased 0.1 percent in January to 107.7 (1957–59=100), largely because advances in food, transportation, and services outweighed declines in apparel and house furnishings. Compared with a year earlier, the index was 1.6 percent higher. (The January index incorporates extensive changes in items, weighing, and sample structure introduced for the first time.)

# Unemployment Insurance Activities*

INSURED unemployment under State programs, which usually shows little change at this time of the year, moved down 6 percent between January and February to a weekly average of 2,243,300. This was 302,800 below the year-earlier figure and was the lowest for the month since 1960. The seasonally adjusted level of insured unemployment fell to 1.7 million, compared with 1.8 million in January and 1.9 million in February 1963. Much of the improvement over the month was due to a pickup in construction and other outside work, and earlier-than-usual recalls in apparel, shoe, and leather plants.

Under the UCX program, the number of jobless ex-servicemen also declined, by 300 from January to a weekly average of 72,400 in February. Compared with a year ago, the volume of jobless ex-servicemen was down by 4,600—reflecting, in part, fewer military discharges in the last part of 1963 than in the comparable 1962 period.

Insured unemployment under the unemployment compensation program for Federal workers, was at a weekly average of 40,400, up 1,200 from January and 8 percent above the year-earlier level.

*Prepared in the Office of Program Reports and Research, Administration and Management Service, Bureau of Employment Security.

| Week ended | Initial claims [1] | | Insured unemployment [1] | |
|---|---|---|---|---|
| | 1964 | 1963 | 1964 | 1963 |
| Jan. 4 | 447, 200 | 471, 100 | 2, 483, 600 | 2, 630, 200 |
| Jan. 11 | 506, 600 | 521, 800 | 2, 404, 500 | 2, 570, 200 |
| Jan. 18 | 414, 100 | 441, 400 | 2, 425, 600 | 2, 559, 900 |
| Jan. 25 | 372, 000 | 383, 500 | 2, 375, 900 | 2, 595, 300 |
| Feb. 1 | 334, 000 | 415, 800 | 2, 319, 000 | 2, 609, 700 |
| Feb. 8 | 326, 400 | 375, 200 | 2, 246, 100 | 2, 569, 000 |
| Feb. 15 | 282, 600 | 310, 900 | 2, 275, 800 | 2, 554, 800 |
| Feb. 22 | 285, 900 | 291, 300 | 2, 242, 900 | 2, 537, 100 |
| Feb. 29 | 269, 000 | 296, 800 | 2, 208, 300 | 2, 501, 900 |
| Mar. 7 | 271, 600 | 291, 300 | | |
| *Weekly averages* | | | | |
| January | 412, 400 | 447, 000 | 2, 394, 600 | 2, 590, 700 |
| February | 291, 000 | 324, 500 | [2] 2, 243, 300 | 2, 546, 100 |

[1] Refers to State programs.
[2] Average through week ended Feb. 29, 1964.

For the Nation as a whole, the rate of insured unemployment (not seasonally adjusted) declined from 5.8 percent in mid-January to 5.4 percent in mid-February—the lowest rate for this time of year since 1957. A year ago the rate was 6.2 percent. The mid-February rates for 26 States (including such large States as Illinois, Indiana, and Michigan) were also the lowest for this time of year since 1957. The highest February rate was, as usual, in Alaska (17.3 percent). In 11 States, including the 3 on the west coast and New Jersey and West Virginia in the East, the rates ranged from 7.0 to 10.2 percent. Rates of less than 4.0 percent prevailed in 11 other States, including Illinois, Indiana, and Texas.

## Initial Claims at a 7-Year February Low

After a contraseasonal decrease between December and January, initial claims, representing new unemployment, declined somewhat more than seasonally in February to a 7-year low for that month. The 29-percent decrease, to a weekly average of 291,000, was attributed largely to less joblessness in construction and other outside activities as well as among apparel, shoe, and leather workers. Seasonally adjusted, initial claims fell from an average of 296,000 in January to 262,000 in February. During most of 1963, the adjusted levels ranged from about 275,000 per week in March to 323,000 in December.

Under the UCX program, initial claims averaged 7,200 per week in February—about 1,400 less than in the prior month, and 400 above a year earlier. Among Federal workers, new unemployment at a weekly average of 3,200 was down by 1,200 from January, but 200 above the February 1963 figure.

## Insured Unemployment Down in 34 States

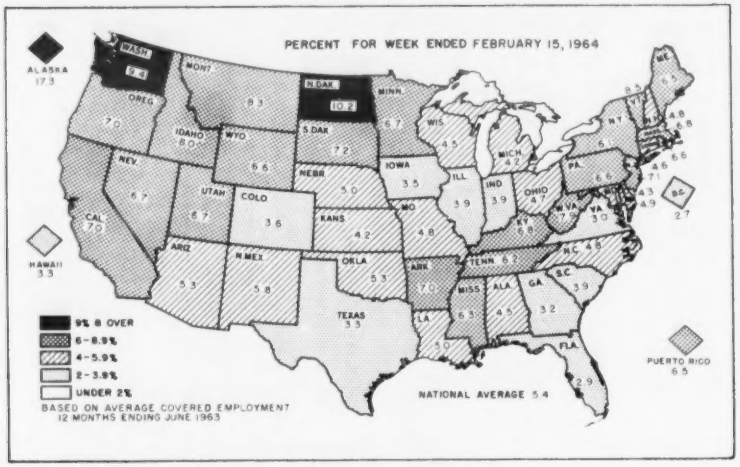
Thirty-four States showed declines in insured unemployment between mid-January and mid-February. The largest reduction was in *New York*, where insured joblessness dropped by about 40,000 to 307,400. Most of the decline took place in New York City, largely reflecting early recalls in the apparel industry. Smaller reductions also occurred among workers from leather, textiles, and miscellaneous manufacturing. The State's

| Activity [1] | January 1964 | Percent change from— | | January 1964 (in thousands) | |
|---|---|---|---|---|---|
| | Number or amount | December 1963 | January 1963 | 1964 | 1963 |
| Initial claims [2] | 1, 847, 900 | −0. 9 | −12. 1 | 1, 848 | 2, 102 |
| Weeks claimed [2] | 10, 778, 700 | +31. 8 | −10. 3 | 10, 779 | 12, 010 |
| Insured unemployment (weekly average) | 2, 394, 600 | +21. 4 | −7. 6 | 2, 395 | 2, 591 |
| Beneficiaries (weekly average) [3] | 1, 996, 900 | +31. 0 | −8. 2 | 1, 997 | 2, 174 |
| Benefits paid [4] | $319, 301, 600 | +37. 1 | −6. 8 | $319, 302 | $342, 411 |
| Claimant exhaustions [3] | 138, 700 | +17. 0 | −13. 9 | 139 | 161 |

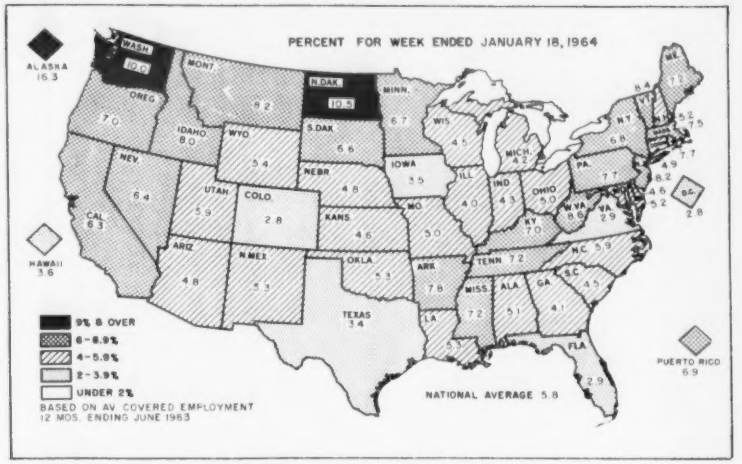
[1] Data relate to State programs except where otherwise indicated.
[2] Includes agent State claims taken by Puerto Rico and the Virgin Islands.
[3] Data relating to January–June 1959 include UCFE program.
[4] Monthly data represent gross amounts; cumulative data represent net amount.

# STATE INSURED UNEMPLOYMENT AS PERCENT OF AVERAGE COVERED EMPLOYMENT

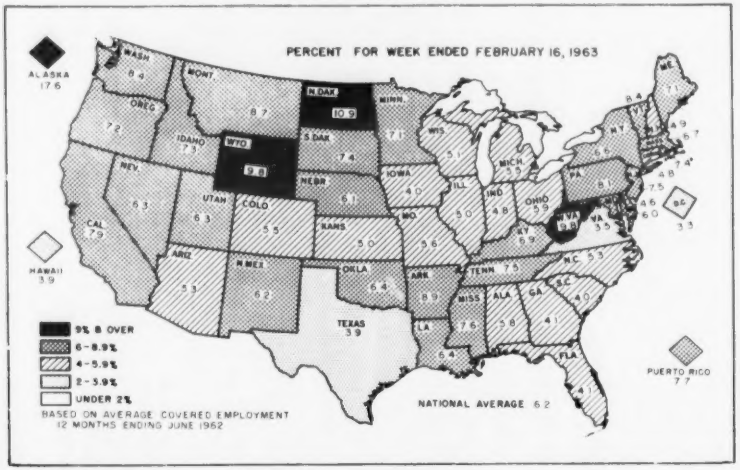
## LATEST MONTH



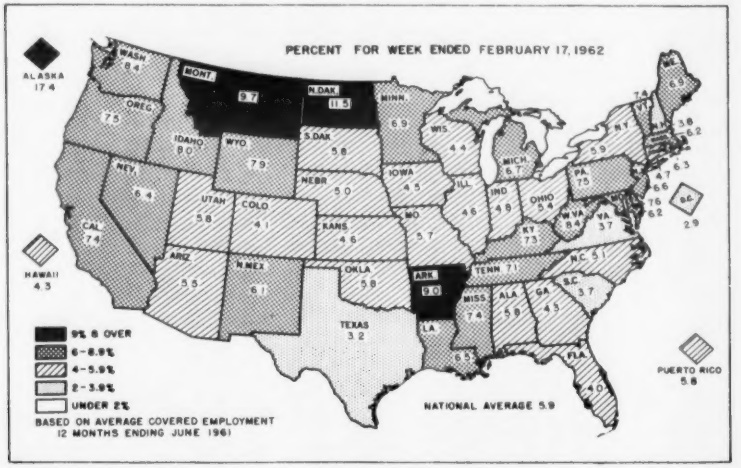

## PREVIOUS MONTH




## ONE YEAR AGO




## TWO YEARS AGO



insured jobless total was down some 27,100 from a year ago, largely because of less unemployment among workers from the construction, leather, apparel, and printing and publishing industries. Some increases in joblessness occurred among workers from textiles and services.

*Pennsylvania* reported an over-the-month decline of 33,900, or 15 percent, to 191,500. About one-half of this drop was attributed to a pickup in apparel plants; employment gains in primary metals plants accounted for another 12 percent of the decrease. In nonmanufacturing, the most sizable reduction in joblessness occurred among construction workers—about 3,700. Among the States showing over-the-year declines in insured unemployment, Pennsylvania had the largest drop—43,600. The bulk of the decrease took place among factory workers, largely those from the primary and fabricated metals and stone-clay-glass industries. Sizable declines occurred also in the construction, public utilities, and trade industries.

In *New Jersey*, a decline of 17,400 between mid-January and mid-February lowered the State's total insured unemployment to 114,200. Except for a 10,200 drop among apparel workers, the over-the-month reductions were widespread but small. The insured jobless total was down by 4,200 from a year earlier, with small declines in many of the State's industries.

Insured joblessness in *North Carolina* fell over the month by 11,200 to 46,200—primarily because of improved construction activity and increased hiring in the textile industry. In *Massachusetts*, the mid-February volume of 104,700 represented a decline of 10,400 from mid-January. Much of this reduction resulted from the early pickup in the apparel industry, although there were small unemployment decreases in a number of the State's other industries.

Among the States showing over-the-month increases in insured unemployment, *California* reported by far the largest—26,700—bringing the State's total to 289,900 in mid-February. Former manufacturing workers (mainly from food processing and transportation equipment) accounted for slightly more than two-fifths of the increase, construction workers for another 22 percent, and workers from trade about 31 percent. Compared with February 1963, however, insured joblessness in the State was lower by 23,200, or 7.5 percent. Higher employment in construction contributed to nearly one-half of the reduction; food processing, another 27 percent; and public utilities, 16 percent. Insured unemployment was greater than a year earlier among workers from the electrical machinery and miscellaneous manufacturing industries.

Two States with only moderate over-the-month changes in insured unemployment showed sizable reductions from February a year ago. Slightly more than one-half of the drop of 29,000 in *Illinois* reflected less joblessness this February among construction and other outdoor workers; there was also a substantial jobless decline among workers from trade. In *Ohio*, nearly three-fourths of the 26,800 year-to-year decrease occurred in nonmanufacturing; the largest declines were in construction and trade.

## Claimant Turnover Declines

During February, some 1.2 million persons ceased filing under State unemployment insurance programs—down from the 1.8 million in January and 1.3 million in February 1963. About 125,400, or 10 percent, of the February dropouts had exhausted their benefit rights. Most of the remaining workers who stopped filing claims had been recalled to work, had found new jobs, or had left the labor market, while others were disqualified from the receipt of benefits. Exhaustions this February were some 13,300 less than in January, and 17,000 below the volume a year earlier.

## Benefits Rise in January

A total of $345.6 million was paid out in benefits under all regular unemployment insurance programs in January—36 percent above the December figure, but 6 percent below the January 1963 amount. Benefits paid out under State programs this January amounted to $319.3 million—$86.3 million more than in December. Under the railroad program, benefits amounted to $9.9 million, and under the two Federal programs, an aggregate of $16.3 million was disbursed.

Workers totally unemployed in January received an average benefit check of $36.07 per week—29 cents more than in December and 55 cents above a year ago. Four States—California, Colorado, Ohio, and Wisconsin—paid benefits averaging more than $40 per week, while four States—Maine, Mississippi, North Carolina, and West Virginia—and Puerto Rico disbursed average weekly payments of less than $25.

Approximately 9.6 percent of the jobless under

State programs in January received benefits for partial unemployment—about the same as in December. The proportion of those receiving weekly checks for partial unemployment varied markedly among the States, ranging from 1.4 percent in Puerto Rico to 17.4 percent in Georgia and 17.0 percent in North Carolina. At $21.53, the average weekly check paid for partial joblessness was 56 cents above the preceding month and 85 cents more than the year ago amount.

# Characteristics of the Insured Unemployed*

January 1964

Increases in the volume of State insured unemployment have been primarily among workers in the skilled, semiskilled, and unskilled occupational groups. Between the 1963 low of last September and January 1964, insured unemployment among workers at these skill levels rose by more than 1 million, and accounted for 88 percent of the overall increase in total insured unemployment during those 4 months. This group represented more than three-fourths of all claimants in January of both 1963 and 1964, and almost two-thirds of last September's total. Shifts in their employment and unemployment levels generally reflect seasonal curtailment or expansion in manufacturing activities, and in contract construction and other outdoor work.

For example, the number of claimants from contract construction rose from 125,000 last September to 600,000 this January, and over the same period claimants from factories increased from 630,000 to 1,030,000. Nondurable goods producing industries, with their seasonal peaks and lulls, have a sizable impact on the changing amounts of factory unemployment. Claimants from nondurable goods industries accounted for 43 percent of total State insured unemployment late last summer (August), and the proportion was up to 53 or 54 percent in November, December, and January. At the same time, the proportion of claimants from contract construction rose from 9 percent to 25 percent.

Fluctuations in the *rate* of insured unemployment generally are not as wide in manufacturing as in contract construction. For the latter, the rate soared from 4.6 percent of covered employment in September 1963 to 22.1 percent in January 1964, and for manufacturing it moved up from 3.7 to 6.1 percent over the same months.

Men comprised two-thirds of all claimants this January and a year earlier. During 1963, the proportion fluctuated from 70 percent in February to 56 percent in the midsummer and fall months.

Approximately three-fifths of the insured unemployed in January 1964 were under 45 years of age—up somewhat from the 58 percent reported last fall.

In mid-January 1964, short-term insured unemployment (1–4 weeks) was more prevalent than long-term (15 weeks and over) among persons from construction, those with blue collar occupations, those under age 45, and men. On the other hand, long-term unemployment was found more often than short-term among workers from manufacturing, trade, and services.

For most claimant groups, insured unemployment levels were lower this January than a year earlier. The improvement from year-ago totals continued into February, when both the rate of State insured unemployment (not seasonally adjusted) and the volume of initial claims (representing new unemployment) were at a 7-year low for that month.

*Selected Characteristics of Claimants*

| Characteristic | Percent of total under State programs | | |
|---|---|---|---|
| | January 1964 | December 1963 | January 1963 |
| Manufacturing | 43 | 46 | 45 |
| Trade and services | 23 | 24 | 22 |
| Construction | 25 | 19 | 22 |
| Semiskilled and unskilled | 58 | 57 | 59 |
| Under age 45 | 61 | 60 | 62 |
| Men | 67 | 63 | 67 |

*Prepared in the Division of Reports Analysis, Office of Program Development and Legislation, Unemployment Insurance Service, Bureau of Employment Security.

# Selected Unemployment Insurance Statistics, State Programs, January 1964

| State | Initial claims received 1/ 2/ | Weeks claimed 2/ | Number of insured unemployed (weekly average) 3/ | Number of beneficiaries (weekly average) | Average weekly payments for total unemployment | Number of final payments 4/ | Benefits paid 5/ | 12 months ending January 31: (in thousands) Benefits paid 6/ | 12 months ending January 31: (in thousands) Collections and interest | Funds available January 31, 1964 7/ (in thousands) |
|---|---|---|---|---|---|---|---|---|---|---|
| Total, 52 States | 1,847,873 | 10,778,655 | 8/2,394,598 | 1,996,925 | $36.07 | 138,745 | $319,301,589 | $2,751,863 | $3,219,609 | $6,447,522 |
| Alabama | 25,764 | 127,507 | 28,283 | 20,685 | 26.27 | 2,015 | 2,451,903 | 23,277 | 39,932 | 65,526 |
| Alaska | 2,893 | 22,724 | 5,439 | 4,965 | 38.62 | 303 | 872,333 | 6,206 | 7,868 | 10/7,622 |
| Arizona | 11,302 | 52,441 | 12,371 | 8,745 | 32.14 | 609 | 1,278,273 | 12,172 | 14,920 | 64,979 |
| Arkansas | 17,135 | 100,398 | 22,774 | 15,078 | 26.04 | 986 | 1,740,983 | 12,733 | 12,971 | 28,814 |
| California | 220,114 | 1,183,733 | 270,071 | 226,722 | 43.29 | 19,020 | 4,527,267.1 | 9/488,570 | 509,804 | 607,174 |
| Colorado | 12,128 | 48,147 | 11,213 | 8,287 | 42.55 | 580 | 1,566,461 | 19,490 | 16,961 | 49,073 |
| Connecticut | 28,348 | 174,326 | 38,465 | 32,044 | 39.55 | 2,296 | 5,719,727 | 46,822 | 55,122 | 166,623 |
| Delaware | 4,212 | 26,205 | 5,769 | 6,181 | 38.34 | 429 | 1,057,256 | 7,121 | 10,796 | 15,923 |
| Dist. of Col. | 6,344 | 34,568 | 8,012 | 6,439 | 38.87 | 402 | 1,143,790 | 10,923 | 9,548 | 62,957 |
| Florida | 27,674 | 132,140 | 28,638 | 16,651 | 27.77 | 2,346 | 2,067,104 | 28,844 | 45,958 | 134,740 |
| Georgia | 29,416 | 140,510 | 30,947 | 20,214 | 28.29 | 2,672 | 2,388,971 | 22,378 | 35,384 | 155,164 |
| Hawaii | 3,892 | 28,842 | 6,326 | 5,800 | 39.39 | 392 | 985,145 | 10,447 | 8,539 | 15,405 |
| Idaho | 6,349 | 45,948 | 10,427 | 8,249 | 39.25 | 584 | 1,429,977 | 9/ 8,996 | 9,205 | 26,138 |
| Illinois | 73,591 | 485,055 | 106,308 | 94,613 | 39.79 | 8,298 | 16,796,542 | 9/1,144,785 | 181,581 | 411,352 |
| Indiana | 47,632 | 190,819 | 44,800 | 36,156 | 32.20 | 3,766 | 5,127,923 | 38,333 | 48,198 | 147,320 |
| Iowa | 11,210 | 67,652 | 15,465 | 10,920 | 31.34 | 1,082 | 1,508,008 | 11,396 | 14,054 | 106,827 |
| Kansas | 10,738 | 79,906 | 15,786 | 13,932 | 38.11 | 997 | 2,385,473 | 17,311 | 15,440 | 59,983 |
| Kentucky | 22,881 | 139,019 | 31,464 | 21,556 | 33.75 | 1,550 | 3,197,746 | 24,962 | 31,139 | 105,220 |
| Louisiana | 25,894 | 130,012 | 28,084 | 21,199 | 30.73 | 2,040 | 2,902,581 | 29,918 | 34,629 | 103,286 |
| Maine | 8,167 | 60,755 | 13,657 | 11,702 | 24.89 | 1,159 | 1,280,230 | 10,812 | 12,697 | 26,455 |
| Maryland | 30,566 | 167,328 | 37,344 | 34,519 | 32.98 | 1,603 | 5,071,182 | 38,432 | 67,677 | 118,029 |
| Massachusetts | 70,850 | 526,956 | 114,732 | 102,287 | 39.77 | 6,751 | 17,284,325 | 138,103 | 129,506 | 177,539 |
| Michigan | 59,057 | 315,520 | 74,090 | 55,618 | 37.75 | 4,371 | 9,460,792 | 89,444 | 194,672 | 10/311,723 |
| Minnesota | 28,611 | 216,920 | 48,718 | 38,110 | 30.49 | 2,262 | 5,263,847 | 38,842 | 30,798 | 25,372 |
| Mississippi | 19,602 | 93,489 | 20,694 | 16,152 | 24.91 | 1,047 | 1,800,520 | 12,720 | 19,592 | 40,015 |
| Missouri | 43,364 | 226,467 | 49,233 | 36,316 | 34.25 | 2,559 | 5,326,668 | 41,428 | 49,091 | 206,578 |
| Montana | 6,676 | 37,974 | 9,064 | 7,516 | 31.74 | 551 | 1,100,788 | 7,031 | 5,931 | 20,569 |
| Nebraska | 6,694 | 42,530 | 10,784 | 9,668 | 33.80 | 961 | 1,476,416 | 9,264 | 10,234 | 39,501 |
| Nevada | 7,281 | 29,366 | 6,892 | 5,279 | 39.50 | 765 | 993,998 | 7,652 | 12,568 | 25,475 |
| New Hampshire | 5,388 | 37,828 | 8,368 | 7,175 | 31.68 | 741 | 979,814 | 8,234 | 7,766 | 23,797 |
| New Jersey | 71,809 | 568,922 | 125,499 | 118,583 | 39.69 | 8,950 | 20,892,610 | 161,954 | 143,269 | 281,943 |
| New Mexico | 7,885 | 38,648 | 8,249 | 6,468 | 29.97 | 874 | 874,556 | 8,303 | 7,471 | 35,038 |
| New York | 241,944 | 1,589,645 | 341,242 | 316,024 | 38.95 | 15,530 | 53,388,092 | 446,222 | 536,928 | 1,118,087 |
| North Carolina | 79,192 | 261,088 | 53,885 | 53,932 | 23.34 | 2,751 | 5,515,320 | 38,129 | 49,655 | 198,816 |
| North Dakota | 3,611 | 30,679 | 7,215 | 4,813 | 36.40 | 208 | 803,736 | 4,714 | 5,422 | 7,280 |
| Ohio | 75,439 | 536,257 | 118,887 | 94,140 | 40.83 | 4,723 | 17,306,872 | 148,265 | 153,407 | 110,980 |
| Oklahoma | 14,420 | 89,759 | 20,187 | 14,664 | 26.76 | 1,273 | 1,760,959 | 17,522 | 22,087 | 39,647 |
| Oregon | 28,563 | 130,311 | 30,260 | 21,803 | 35.99 | 1,141 | 3,539,449 | 24,985 | 41,003 | 70,678 |
| Pennsylvania | 164,728 | 998,312 | 216,364 | 185,474 | 32.98 | 8,114 | 26,319,652 | 230,495 | 266,787 | 10/134,259 |
| Puerto Rico | 11,322 | 88,665 | 8/26,063 | 12,290 | 14.31 | 3,239 | 819,078 | 11,413 | 17,692 | 46,418 |
| Rhode Island | 14,320 | 83,760 | 18,588 | 16,142 | 31.80 | 1,068 | 2,251,284 | 17,340 | 21,138 | 39,917 |
| South Carolina | 22,266 | 95,181 | 20,747 | 15,077 | 27.25 | 1,735 | 1,847,361 | 15,779 | 20,230 | 79,311 |
| South Dakota | 2,871 | 22,888 | 5,244 | 3,915 | 31.79 | 326 | 556,621 | 3,697 | 3,231 | 15,289 |
| Tennessee | 46,637 | 224,664 | 48,192 | 33,903 | 26.94 | 2,117 | 4,050,490 | 30,884 | 38,425 | 71,928 |
| Texas | 46,262 | 272,339 | 60,999 | 49,987 | 29.99 | 6,884 | 6,760,068 | 65,678 | 57,383 | 225,599 |
| Utah | 8,597 | 50,723 | 12,146 | 9,423 | 35.25 | 636 | 1,619,300 | 10,707 | 12,449 | 39,844 |
| Vermont | 3,723 | 29,391 | 6,472 | 5,510 | 33.70 | 373 | 819,112 | 9/ 6,210 | 4,116 | 7,489 |
| Virginia | 25,225 | 95,934 | 21,282 | 14,585 | 28.27 | 1,355 | 1,825,388 | 14,278 | 30,986 | 122,700 |
| Washington | 40,913 | 287,749 | 64,160 | 57,680 | 33.37 | 2,677 | 8,761,925 | 58,703 | 59,664 | 196,316 |
| West Virginia | 20,593 | 116,951 | 26,078 | 19,740 | 34.92 | 1,019 | 2,168,536 | 16,661 | 30,605 | 57,466 |
| Wisconsin | 40,897 | 186,637 | 45,083 | 37,110 | 42.17 | 11/2,568 | 7,033,242 | 47,609 | 47,628 | 194,234 |
| Wyoming | 2,782 | 14,807 | 3,537 | 2,584 | 39.86 | 158 | 456,691 | 5,469 | 5,431 | 4,907 |

1/ Excludes transitional claims.
2/ Total includes claims taken as agent State by the Virgin Islands.
3/ Weekly data are adjusted for split weeks in the month on the basis of a 5-day work week.
4/ A final payment is the payment for the last week of compensable unemployment in a benefit year, and indicates the exhaustion of benefit rights by a claimant for that benefit year. Because of the time lapse between the actual week in which the unemployment occurs and the date on which final payment is made, the monthly total includes some claimants who exhausted their rights in the preceding month but received their final payment in the reported month, and excludes some claimants who exhausted their rights in the reported month but will not receive their final payments until the succeeding month. Workers who exhaust their rights may be entitled to additional benefits when the following benefit year begins. The number of exhaustions is not indicative of the number who are still unemployed as some will have obtained employment and others may have withdrawn from the labor force.
5/ Unadjusted for voided benefit checks and transfers under interstate combined-wage plan. Includes $878,234 in payments under extended duration provisions of State laws in three States: California, $862,961; Puerto Rico, $13,717; and Vermont, $1,556.
6/ Adjusted for voided benefit checks and transfers under interstate combined-wage plan.
7/ Includes amount credited to States' accounts in the unemployment trust fund, less withdrawals by the States, under the provisions of the Employment Security Administrative Financing Act of 1954.
8/ Includes data under the program for Puerto Rican sugarcane workers.
9/ Includes payments made under State temporary extended benefit provisions.
10/ Funds available reflect an advance from Federal account in Unemployment Insurance Trust Fund to: Alaska, $2,630,000 in January 1957, $2,635,000 in February 1958, $3,000,000 in July 1958, and $500,000 in January 1960; Michigan $113,000,000 in September 1958; Pennsylvania $96,440,000 in April 1959, $1,504,000 in May 1960, $4,056,000 in July 1960, $7,400,000 in March 1961, $1,800,000 in May 1961, and $800,000 in August 1961.
11/ Represents data on a "per employer" basis and is not strictly comparable.

## Selected Data on Unemployment Compensation for Federal Civilian Employees and Ex-Servicemen,[1] January 1964

| Program | Initial claims received | Weeks claimed | Number of insured unemployed (weekly average) | Number of beneficiaries (weekly average) | Average weekly payments for total unemployment | Number of final payments | Benefits paid |
|---|---|---|---|---|---|---|---|
| Total, Federal programs | 59,038 | 491,607 | 111,858 | 102,559 | | 7,004 | $16,350,563 |
| UCFE program [1] | 20,106 | 170,840 | 39,198 | 35,875 | [2] $36.79 | (3) | 6,109,477 |
| UCX program [1] | 38,932 | 320,767 | 72,660 | 66,684 | [2] 33.32 | (3) | 10,241,086 |

[1] The programs for Federal civilian employees (UCFE) and for ex-servicemen (UCX), established under title XV of the Social Security Act, became effective Jan. 1, 1955 and Oct. 27, 1956, respectively. UCFE excludes data for persons filing to supplement benefits under State programs, and UCX data exclude information on claims filed jointly with other programs.
[2] Based on all unemployment. [3] Data cannot be shown separately.

# Income-Maintenance Program Operations

## All Programs

| | 1963 | | 1962 | |
|---|---|---|---|---|
| | December | November | December | November |
| Total Public Income-Maintenance Payments (millions) | $2,894 | $2,789 | $2,719 | $2,698 |
| Old-age, survivors, and disability insurance | 1,305 | 1,292 | 1,232 | 1,238 |
| Railroad and government employment retirement | 190 | 189 | 174 | 173 |
| Unemployment insurance, temporary disability insurance, workmen's compensation, training benefits (ARA and MDTA) | 1/668 | 1/585 | 1/613 | 1/589 |
| Veterans' compensation and pension programs | 329 | 329 | 319 | 321 |
| Public assistance | 403 | 394 | 382 | 377 |
| **Old-Age, Survivors, and Disability Insurance** | | | | |
| Total beneficiaries (thousands) | 19,035 | 18,998 | 18,053 | 17,992 |
| Retired workers | 10,263 | 10,248 | 9,738 | 9,715 |
| Survivors and dependents | 7,945 | 7,930 | 7,574 | 7,548 |
| Disabled workers | 827 | 819 | 741 | 730 |
| Total monthly benefits (millions) | $1,260 | $1,257 | $1,182 | $1,177 |
| Retired workers | 789 | 788 | 742 | 740 |
| Survivors and dependents | 396 | 395 | 373 | 372 |
| Disabled workers | 75 | 74 | 67 | 66 |
| **Public Assistance** | | | | |
| Total recipients (thousands) | 7,780 | 7,620 | 7,601 | 7,467 |
| Federally aided programs | 6,910 | 6,855 | 6,701 | 6,646 |
| Aid to families with dependent children | 2,993 | 2,955 | 2,873 | 2,839 |
| Total recipients | 3,989 | 3,933 | 3,828 | 3,772 |
| Old-age assistance | 2,194 | 2,194 | 2,226 | 2,227 |
| Other federally aided programs | 727 | 728 | 647 | 647 |
| General assistance: Cases | 353 | 322 | 354 | 333 |
| Persons | 870 | 765 | 900 | 821 |
| Total payments (millions) | 2/$403 | 2/$394 | 2/$382 | 2/$377 |
| Federally aided programs | 370 | 364 | 349 | 346 |
| General assistance | 24 | 21 | 24 | 22 |

## Operations Under Area Redevelopment and Manpower Development and Training Acts

| | Total | | ARA | | MDTA | |
|---|---|---|---|---|---|---|
| | January 1964 | December 1963 | January 1964 | December 1963 | January 1964 | December 1963 |
| Total trainees | 22,631 | 20,483 | 2,279 | 1,842 | 20,352 | 18,641 |
| Youths | 2,974 | 2,204 | NA | NA | 2,974 | 2,204 |
| Total net benefits | $3,020,035 | $2,626,112 | $205,372 | $140,929 | $2,814,663 | $2,485,183 |
| Training allowances | 2,393,950 | 2,102,224 | 205,372 | 140,929 | 2,188,578 | 1,961,295 |
| Youth allowances | 186,531 | 144,727 | NA | NA | 186,531 | 144,727 |
| Subsistence allowances | 344,038 | 293,467 | NA | NA | 344,038 | 293,467 |
| Transportation allowances | 95,516 | 85,694 | NA | NA | 95,516 | 85,694 |

## Temporary Disability Insurance Activities Under State and Railroad Programs

| | First claims received | | Weeks compensated | | Benefits paid | | Benefits paid | |
|---|---|---|---|---|---|---|---|---|
| | January 1964 | December 1963 | January 1964 | December 1963 | January 1964 | December 1963 | January 1963 | December 1962 |
| California | | | | | | | | |
| State plan | | | | | | | | |
| Basic benefits | 50,785 | 39,826 | 293,843 | 276,000 | $15,317,617 | $14,323,357 | $12,235,305 | $10,101,861 |
| Additional hospital benefits | 3/28,714 | 3/26,354 | 4/208,798 | 4/194,576 | 2,505,576 | 2,334,912 | 2,085,360 | 1,833,144 |
| Private plan | 3,027 | 2,958 | (5/) | (5/) | (5/) | (5/) | (5/) | (5/) |
| New Jersey | | | | | | | | |
| State plan | 7,992 | 7,258 | 57,389 | 48,409 | 2,161,558 | 1,851,873 | 1,981,481 | 1,637,815 |
| Private plan | (5/) | (5/) | (5/) | (5/) | (5/) | (5/) | (5/) | (5/) |
| New York | (5/) | (5/) | (5/) | (5/) | (5/) | (5/) | (5/) | (5/) |
| Rhode Island | 3,170 | 2,502 | 26,277 | 23,237 | 883,158 | 779,656 | 835,298 | 705,644 |
| Railroad | | | | | | | | |
| Sickness | 12,339 | 9,780 | 6/146,110 | 7/135,990 | 4,671,102 | 4,807,012 | 4,675,376 | 4,482,251 |
| Maternity | 110 | 131 | 6/2,534 | 7/2,466 | 175,883 | 171,599 | 201,665 | 172,356 |

1/ Data for temporary disability insurance and workmen's compensation include estimated payments made by private insurers and self-insurers in accordance with law.
2/ Payments total exceeds sum of items because of inclusion of vendor payments, not shown in detail.
3/ Represents the number of payments made.
4/ Days for which additional hospital benefits were paid.
5/ Data not available.
6/ Estimated from data "benefit periods" compensated which number 73,055 for sickness and 1,267 for maternity.
7/ Estimated from data "benefit periods" compensated which number 67,995 for sickness and 1,233 for maternity.
NA--Not applicable.

# Virgin Islands Begins Benefit Payments

*The Virgin Islands' unemployment insurance law was approved on June 19, 1961, and became effective on October 1 of that year. It provided for payment of benefits to begin on January 1, 1964. The act created an Unemployment Compensation Service in the Virgin Islands Employment Security Agency, with the Director of the Agency in charge of both the Unemployment Compensation Service and the Employment Service.*

THE benefit phase of the Virgin Islands' new unemployment insurance law was inaugurated on January 28, when a check was presented to the first beneficiary under the program. The ceremony took place at Government House, in Charlotte Amalie, St. Thomas. Robert C. Goodwin, Administrator of the Bureau of Employment Security, U.S. Department of Labor, and Louis F. Buckley, Regional Administrator for the Bureau's Region II, were present for the occasion. Also present was a group of Virgin Islanders that included Gov. Ralph M. Paiewonsky, Senator Percival Reese of the Islands' Legislature, and Mrs. E. Louise Scott, Director of the Virgin Islands Employment Security Agency.

In commending the local government for its program, Mr. Goodwin stated that it was initiated when employment was high and thus permitted the buildup of a reserve fund against the time when it would be needed. "I have studied your Unemployment Compensation Act with great interest," he said. "It seems to be a very soundly conceived piece of legislation which is well adapted to the rather unique employment situation in the Islands. Further, the language of the law has been kept comparatively simple—a feature which recommends it. The weekly benefit amount and the formula appear to be adequate. Its financing provisions for both benefits and administration should be adequate in view of the small potential claims

*Looking on as Mr. Goodwin presented the first unemployment compensation check to Anastie Darroux were (left to right) Cyril King, Government Secretary; Gov. Ralph M. Paiewonsky; and Mrs. E. Louise Scott, Director of Virgin Islands Employment Security Agency.*

load. And the disqualification system is good. All in all, this is a good law, and I congratulate you on it."

Mr. Goodwin pointed out, however, that careful day-to-day study of the program's operation would be necessary to learn its strengths and weaknesses in accomplishing its goals. "You will want," he said "with the benefit of experience, to consider periodically the adequacy of the weekly benefit amount in relation to what you want the benefit to accomplish toward meeting essential expenses of the unemployed. You may also want to investigate the possible advantages of a flexible maximum weekly benefit amount which could rise or fall in response to average weekly wages without periodic legislative action. You will certainly want to examine the duration of benefits to see if they really extend for a reasonably sufficient period to allow the average unemployed person to return to suitable work. You will want to consider the amount of your tax on employers and the collection of those taxes to see that you accumulate sufficient reserves to keep the system solvent. And, finally, you might want to consider the advisability of integrating your system into the overall Federal-State unemployment insurance system. Your legislature has wisely paved the way for this by setting up a plan which, with comparatively minor modifications, could take its place in the national system."

Mr. Buckley commented on the economic significance of the unemployment insurance program. He noted that the basic concern of the program was, and is, the unemployed individual and his family. But, "one of the few matters on which economists in general are in agreement," he said, "is the significant contribution which unemployment insurance makes to the stabilization of the economy. Since unemployment compensation comes to eligible claimants when needed and without new legislation, many economists look upon the program as an important 'built-in' or 'automatic' stabilizer which helps to limit declines during recession periods. Properly financed, unemployment insurance makes sense as it provides for the accumulation of reserves during good years to meet the drains of poor years. It is noteworthy that the Virgin Islands Legislature provided a measure of economic security for the worker and his family without being prodded to do so by widespread unemployment. In the words of your act, the Virgin Islands unemployment insurance program is designed to maintain essential consumer purchasing power, thus helping to sustain the confidence of the community and the general level of economic activity."

## Major Features of the Virgin Islands Law

COVERAGE. Employers of one or more persons at any time. No provision to exclude agricultural workers; employment is defined as "employment does not include service performed by alien contract workers imported into the Virgin Islands for crop harvesting purposes." Employees of the Virgin Island Government are on a reimbursable and contributory (0.04 percent) basis. Elective coverage also is permitted.

EMPLOYER CONTRIBUTIONS. Began at 2.1 percent on the first $3,600 in wages, payable for the calendar year 1962 and thereafter. Ninety percent of such contributions (except that, in calculating this amount, contributions equal to one-tenth of 1 percent of wages paid by an employer shall be excluded) are deposited in the UC Subfund for the sole purpose of paying benefits to eligible unemployed persons. The remaining 10 percent is deposited in the UC Administration Subfund for administrative expenses.

DISQUALIFICATION PERIOD. *For the three major causes,* the week of the act and the 6 weeks of continuous unemployment immediately following such week. *For labor dispute,* each week of unemployment due to a work stoppage resulting from a labor dispute. (*When fraud* is the cause of disqualification, the claimant receives either a civil penalty for the week of the act and the 52 weeks immediately following such week, or a criminal penalty of 60 days' imprisonment; or he is fined not less than $25 nor more than $200.)

WEEKLY BENEFIT PAYMENTS. *Range* from $8 to $25; *computed* at one-twenty-fifth of high-quarter wages rounded to next higher dollar; *duration* is the lesser of 26 weeks or one-third the base period wages.

ELIGIBILITY. Claimant must have earned in at least 2 quarters of his base period approximately 35 to 36 times his weekly benefit amount.

BASE PERIOD. Defined as the first 4 of the last 5 completed calendar quarters immediately preceding the first day of a claimant's benefit year.

BENEFIT YEAR. The 1-year period beginning on the day the claimant first files a request for determination of his insured status. Claimant must register for work, be able to work and be available for suitable work, and serve a 1-week waiting period in each benefit year.

DISQUALIFICATIONS. Voluntarily leaving suitable work without good cause, discharge or suspension for misconduct connected with the work, failure without good cause to apply for available suitable work or to accept suitable work when offered, unemployment due to a work stoppage because of a labor dispute, receipt of unemployment benefits under another unemployment security law, and fraudulent misrepresentation.



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MARCH 1964
Data for January 1964

# Unemployment Insurance Statistics

U.S. DEPARTMENT OF LABOR
W. Willard Wirtz, Secretary
MANPOWER ADMINISTRATION
BUREAU OF EMPLOYMENT SECURITY
Washington, D.C. 20210

*Unemployment Insurance Statistics* provides data collected under unemployment insurance programs in the 50 States, the District of Columbia, Puerto Rico, and the Virgin Islands, and under Federal programs covering Federal civilian employees and ex-servicemen.

*Unemployment Insurance Statistics* contains detailed information on benefit payment activities, employer contributions, appeals decisions, and disqualifications by issues; for selected industries and major occupational groups; and by claimant's age, sex, and duration of unemployment.

*Unemployment Insurance Statistics* is available upon request to the Unemployment Insurance Service, Bureau of Employment Security, U.S. Department of Labor, Washington, D.C., 20210.

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